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Transforming Local Media

Johnston Press plc
Annual Report and Accounts 2013



Johnston Press is a key player in the multi-platform media arena.

Our print and digital news brands touch the lives of 24.5 million* people every month and we have some of the most trusted brands in the communities in which we operate.

* Average total monthly audience. Source: Webtrends (Digital) & Matrix (Print), internal Johnston Press audience analytic tools.

How did we perform in 2013?

2013 was an important year in the turnaround of Johnston Press. It was the year we posted our first underlying* operating profit growth for seven years. This is an important milestone and highlights that our strategy for the business is the right one. We posted an underlying operating profit of £54.3 million, representing a year-on-year growth of 2.5%. We continue to transform our business into a modern multimedia organisation, growing our overall audience, which will provide us with the best opportunity to succeed in 2014 and beyond.

* Underlying results excludes exceptional items, IAS 21/39 items and reflects the impact of closed titles and the change of publication frequency of five titles from daily to weekly, as well as the impact of the termination of our printing contracts with News International in 2012 and 2013. Refer to the Financial Review section on pages 24 to 31 for a reconciliation of Statutory to Adjusted and Underlying results.

Read the Chairman's Statement on page 4.

How are we changing our business as the market changes?

The demand for information about the communities in which people work and live has never been greater and we remain exceptionally well placed to serve that demand. The way we do this is changing and the growth in our digital audiences continues to reflect this. We are continually innovating in order to remain relevant to the communities we serve. For example, we have launched initiatives in Harrogate and Bourne where editorial content is driven by the readers – 'user generated content' in action. The demand from advertisers to reach those communities in a targeted and cost-effective manner also grows. We are on a clear journey to become the 'one-stop-shop' for advertisers and readers across all media in the communities we serve.

Read our overview on Market and Strategy on page 9.

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	IBC Advisers

What progress have we made against our strategic objectives?

We have made good progress against all of our strategic objectives. Our aggregate audiences are growing, driven by significant growth in digital audiences and this is a key pillar in our strategy to transition to digital. Our digital revenues have also grown and new digital-based revenue streams are starting to reach scale. This has helped us to reduce the rate of decline in total revenues as a first step and we remain positive about returning to top line growth. We have continued to reduce our cost base and this, coupled with our revenue performance, has allowed us to achieve year-on-year underlying operating profit growth. We also continue to be cash generative which has allowed us to further reduce our debt.

Read about our Strategy in Action on page 12.

At a Glance

Leading Source of Local News

Our impressive portfolio stretches from Stornoway to Eastbourne, Londonderry to Scarborough and includes The Yorkshire Post, The Scotsman, Sheffield Star, The News in Portsmouth, Blackpool Gazette and The Newsletter in Northern Ireland.

Key facts as at the date of this report

13

Paid-for Daily Newspapers

209

Paid-for Weekly Newspapers

41

Free Titles

35

Tablet and Smartphone Apps

10

Lifestyle Magazines

209

Websites in total (including 196 news websites and 13 e-commerce websites)

Our Multimedia Platform

We sell over 1,000,000 weekly newspapers and over 250,000 daily newspapers, outselling almost every daily newspaper in the markets we operate in. We also distribute over 1,000,000 free newspapers whilst our digital platform is the strongest across the industry*. Our digital businesses offer online advertising across a number of categories, including employment, property and classifieds as well as services for Small and Medium Enterprises. Many of our titles also produce their own supplements and magazines in both print and digital format.

News on the Go

Our 196 local news websites – with complementary mobile sites and a number of apps – were re-launched during 2013 and have continued to increase audiences significantly, reaching a monthly audience of 13.3 million unique users in December 2013.*

Business Verticals

The national roll-out of our vertical businesses, including Digital Kitbag and DealMonster, further supports our engagement with the local community and reach beyond our newspaper footprint. We now offer a broader range of services for the burgeoning small business sector.

Quality Guaranteed

The innovation, hard work and commitment of our staff means we continue to deliver high quality products in ways our customers can access whenever and wherever they want. This quality is at the heart of everything we do and guarantees that the trust our customers have in us is preserved.

* Source: ABC H2 2013.

Visit our interactive map online at
www.johnstonpress.co.uk/locations-brands/publications

We Have the News Covered

Consumers are increasingly demanding news as it happens and our journalists are armed with the latest technology to ensure they are the first to report breaking stories. Our news teams can now file copy and pictures remotely, ensuring our readers always know what is happening and when.

We have a strong network of local offices throughout the communities where we operate.

1.2 million

Video views in December 2013
(Source: Brightcove).

See case study on page 12

1,200%

(December 13 vs December 12)
Year-on-year increase
in unique users
(Source: Webtrends).

See case study on page 36

9

trainee journalists working
in the newsroom

See case study on page 22

Chairman's Statement

2013 was the year that we started to see signs of an improving economic climate and positive results from our strategy.

Ian Russell, CBE
Chairman

Strategy

2013 was another year of considerable change and innovation at Johnston Press, during which we made progress towards achieving our strategic aims and our longer-term vision to build a truly multimedia business.

For our business it remains essential that we increase our profitability. We must embrace the changes and innovations we are undertaking to increase our audience size and the revenue we generate as a result. Our digital business is key to this strategy, both in terms of new services and reaching new audiences in different demographics than our print business. However, our established print business has an essential role to play as we look to stabilise our print circulation and advertising revenues. We have incurred significant restructuring costs in the year as we implement changes to ensure our cost base is appropriate for our multimedia future.

In parallel with our operating strategy we are making good progress towards refinancing our debt. A successful refinancing would bring a level of financial stability that would allow us to invest more in delivering our short, medium and longer-term strategic objectives and would fast track Johnston Press into an organisation that is fit for a truly multimedia future.

Results

Our results for 2013 were affected by the difficult trading environment in the first half of the year. Nevertheless, there were strong results in some of our key advertising categories.

Total statutory revenues were affected by the termination of the News International contract and conversion of titles from daily to weekly and closure of certain titles.

Total underlying revenues ended the year down 5.5% from £308.8 million to £291.9 million, with underlying print advertising down 9.5% from £173.5 million to £157.1 million. The combined underlying print and digital advertising revenue was down 6.4% at £181.7 million. However, the rate of decline in our advertising revenues is narrowing and in the final quarter of 2013 the decline had narrowed to 5.3%. We are working to build on this momentum in 2014. Underlying newspaper sales revenue, supported by cover price increases, was down 2.1% from £89.6 million to £87.7 million.

Digital revenues again grew strongly in the year by 19.4% from £20.6 million to £24.6 million, with the second half of the year experiencing year-on-year digital revenue growth of 25.3%. The key digital categories of employment, property, motors and local display all showed strong year-on-year growth.

Despite this, our digital performance was not sufficient in preventing a decline in our total advertising revenue.

The Group's cost management was extremely impressive once again. Adjusted operating costs (before exceptional and IAS 21/39 items and including depreciation and amortisation), were reduced by £33.8 million from £271.7 million to £237.9 million which represents a year-on-year decline of 12.4%.

The resulting underlying operating profit was up 2.5% from £53.0 million to £54.3 million with underlying operating profit margins up from 17.2% to 18.6% year-on-year. This is a strong improvement on 2012 and led to the Group's first year-on-year underlying operating profit growth for seven years.

Earnings per share (before exceptional and IAS 21/39 items) were 2.65p, compared to 3.42p in 2012 (Note 14). Underlying net profit after tax was £16.7 million (2012: £17.4 million). Cash flow performance was again strong, with net debt at the end of the year of £302.0 million, a reduction of £17.3 million from the start of 2013.

Total net exceptional items before tax were £300.5 million (2012: £16.6 million). These included £10.0 million revenue from the termination of a long-term printing contract with News International, a £202.4 million impairment of publishing titles, in part reflecting changes in the discount and growth rate assumptions applicable to the business and sector as a whole, a £68.4 million write down in the value of print press assets and property assets brought about as a result of structural rationalisations and closure of specific operations (particularly presses), £33.0 million on restructuring and £5.7 million on pension related Section 75 and pension protection fund levy expenses. This resulted in a statutory operating loss of £245.7 million. More information on these items can be found in the Financial Review section of this report.

Dividend

We continue to use excess cash to reduce the Group's debt and, as required under our financing arrangements, no dividend is proposed for the year.

Industry Issues

Lord Justice Leveson made it clear in his enquiry into press standards that the local press was not guilty of any wrongdoing and should not be penalised by any new regulatory system. However, we felt that the Royal Charter proposals would not provide smaller titles with adequate protection from vexatious or speculative complaints and the costs associated with processing such claims. As a result, and in line with the significant majority of the industry, we have joined the process of establishing the Independent Press Standards Organisation.

The new regulatory body will have transparent processes, independence and authority to direct remedial action, call editors to account, investigate serious breaches of its code and impose appropriate and proportionate sanctions and fines in the worst cases.

Board

Geoff Iddison, who served as a Non-Executive Director from January 2010, stepped down from his role in June 2013. I would like to thank Geoff for his commitment and contribution to the Group over the past three-and-a-half years. He made a considerable contribution to the development of our digital strategy over this period and we wish him all the best for the future. Stephen van Rooyen joined the Board as a Non-Executive Director of the Company with effect from 1 June 2013. Stephen has held a number of senior roles at Sky since joining in 2006, and is currently Managing Director, Sales and Marketing. He was previously Director of Strategy at Virgin Media and has also worked at News International and Accenture in both Australia and the UK. I am confident Stephen's knowledge and perspective will add significant value to the business. We look forward to working with him in continuing to develop our business.

There was also significant change amongst our Executive Directors this year. As we announced at the end of 2012, Danny Cammiade stepped down as Chief Operating Officer at the end of March 2013. During May 2013 we announced that Grant Murray had stepped down as Chief Financial Officer and was succeeded by David King at the beginning of June 2013. David is a former Chief Executive Officer of Time Out Group and before that was Chief Financial Officer at BBC Worldwide.

The Board regularly reviews both the balance of its membership and the issues it considers when it meets. The agenda for its meetings are structured to scrutinise both strategic and operational matters in an atmosphere of constructive challenge and debate. We have retained our programme of site visits for all our Non-Executive Directors and I am satisfied that the Board remains effective.

Employees

Our employees are, of course, key to our business and on behalf of the Board I wish to express our gratitude to them for their dedication throughout another year of considerable change. They have continued to deliver performance and products of a high quality, and their commitment will remain vital in the year ahead.

Outlook

The last several years have been impacted by the longest, and at times the deepest, recession in memory. However, the economic outlook in the markets in which we operate is more positive. This, coupled with the changes and innovations that we have made at Johnston Press, give the Board greater confidence in our future than any time in recent years.



Ian Russell
Chairman

2013 Financial Highlights

Improved underlying operating profit showing fundamental strength.

Total underlying revenue
(page 18)

£291.9 million -5.5%

2012 2013

Total underlying print advertising revenue
(page 18)

£157.1 million -9.5%

2012 2013

Digital revenue
(page 18)

£24.6 million +19.4%

2012 2013

Net Debt
(page 19)

£302.0 million -5.4%

2012 2013

Adjusted earnings per share
(page 29)

2.65p -22.5%

2012 2013

Net impairment of intangibles and property
assets Note 7 (page 91)

£270.8 million -991.9%

2012 2013

Underlying operating profit
(page 19)

£54.3 million +2.5%

2012 2013

Underlying profit before tax
(page 24)

£13.3 million +54.7%

2012 2013

Statutory loss before tax
(page 24)

£286.8 million -4,117.6%

2012 2013

Chief Executive's Report

2013 was the year we returned to underlying operating profit growth.

Ashley Highfield
Chief Executive Officer

We continue to transform our business into a modern multimedia organisation, growing our overall audience strongly, which will provide us with the best opportunity to succeed in 2014 and beyond.

2013 was an important year in our turnaround at Johnston Press as it was the year we posted our first underlying operating profit growth for seven years. This is an important milestone and indicates that our strategy for the business is the right one. We posted an underlying operating profit of £54.3 million, representing year-on-year growth of 2.5%.

Review of the Year

2013 started with very difficult trading conditions but as the year progressed conditions improved and we ended the year with a sense of optimism across many business sectors. The improving conditions were reflected in our trading performance which improved from quarter to quarter. With property playing a significant role in the economic recovery to date, we are well placed to take advantage of this, as our advertiser base comprises many businesses that benefit from higher volumes in the property market from estate agents to solicitors, and from furniture retailers to transport companies.

In response to the macro economic environment we have continued to transform Johnston Press. We have implemented a number of strategic initiatives that will continue to reduce our cost base, to stem

the decline in top line revenue and accelerate our digital growth.

This transformation has allowed us to post the first positive year-on-year growth in underlying operating profit for seven years. We grew underlying operating profit by 2.5% year-on-year to £54.3 million, stopping the operating profit decline and taking Johnston Press back to underlying growth.

We have historically converted a high proportion of EBITDA into operating cash flow and we continue to do so, underpinned by controlled capital expenditure. This has allowed us to continue to reduce our net debt burden which has now declined by more than 37% since December 2008 from £476.8 million to £302.0 million in December 2013.

Our aggregate print and digital audience has grown from 18.1 million users in December 2012 to 21.2 million users in December 2013, a year-on-year growth of 17.1%. In the same period digital audiences grew from 9.0 million unique users to 13.3 million unique users, a growth of 47.7% year-on-year. This growth demonstrates that we continue to be relevant to both our readers and advertisers. Whilst overall circulation revenue declines were as anticipated in one of two very challenged economic markets, increasing cover prices during the recession created a greater circulation decline than expected.

As well as growing digital audiences, we grew digital revenues by 19.4% year-on-year, from £20.6 million in 2012 to £24.6 million in 2013,

with very encouraging growth in some of our key digital categories. The property category grew by 125.0% year-on-year, the motors category grew by 200.0% year-on-year and total digital display advertising grew by 30.3%, albeit from a low base. These categories are well positioned for growth in 2014, as we develop our products and propositions with the benefit of a better economic climate.

The Group's digital employment business, operating in an exceptionally challenging environment for most of 2013, still managed to post revenue growth of 4.1% year-on-year.

Total display advertising grew by 30.3%, local digital display advertising grew by 32.7% year-on-year, with national digital display advertising growing by 25.9% year-on-year with combined growth in the second half of the year of 44.6%. This gives us further confidence for 2014.

We launched a new site for the entertainment market, WOW247.co.uk, to support further the Group's engagement with the local community and reach beyond newspaper footprints.

Our national advertising sales were depressed by the macro economic situation, which badly affected some of our largest retail clients. Our underlying total revenues for the year were down 5.5%, an improvement on the 7.9% decline we experienced in 2012. Amongst this, the quarterly run rates for advertising revenues are showing positive signs, the year-on-year declines for each quarter in 2013 were: 14.8%, 12.7%, 7.6% and 5.3% respectively, once again providing further encouragement for 2014.

The relaunch of the Group's newspaper titles into more modern standardised templates was successfully completed in 2013. The programme has helped quality control and given more time for editors to develop content in print and digital platforms and is unrivalled at this scale in the newspaper sector, driving both copy sales and the national advertising proposition.

One of the direct results of the relaunch programme is that we now have a platform to provide greater efficiencies in our content gathering operation from our journalists,

Chief Executive's Report (continued)

freelance contributors and readers. Using web-based editorial software the Group is now allowing trusted contributors the ability to author content directly. If these trials are successful they will provide a blueprint for the Group to restructure the editorial content gathering operations and greatly increase the volume of locally supplied material, ensuring we remain at the heart of our communities.

We have managed our cost base efficiently during the year. Adjusted operating costs were reduced by £33.8 million in 2013, a 12.4% year-on-year reduction. This is on the back of a £37.6 million reduction in 2012 (a 12.2% year-on-year reduction). The closure of titles and change in frequency, as well as the loss of the News International contract have contributed to the reduction in the cost base during 2013. Adjusted operating profit margins (before exceptional and IAS 21/39 items) have improved from 17.3% in 2012, to 18.8% in 2013 and on an underlying basis from 17.2% in 2012 to 18.6% in 2013.

One of the most important efficiency projects this year has been the identification and implementation of best practice across the Group in the editorial functions, and the rationalisation of the sales and back-office functions. This has led to a reduction in the average number of staff we employ to 4,188, a year-on-year reduction of 13%. We are now a re-sized, flatter and more agile organisation with better technology and processes to support our journalists and sales teams. Our centralisation of 14 content centres into two, while saving considerable costs, caused some short-term drop-off in our 'other classified' revenue.

Exceptional Items

Accounting standards (IAS 36) require us to assess the recoverable value of our publishing titles and print assets by discounting the future cash flows the Group expects to derive from these assets at a market discount rate. Our long-term forecast model is updated annually and used to satisfy this requirement and is updated more frequently if we identify impairment indicators. The reduction in the value of the publishing titles, of £202.4 million, is primarily driven by a change in the rate used to discount future cash flows from 11.0% (2012) to 12.0% (2013) for our UK publishing titles and from 11.0% (2012) to 15.9% (2013) for our Republic of Ireland titles (as a result of an increase in risk-free rates of return and a revised market view on optimal media sector debt equity structures) and an update to underlying anticipated cash flows as a result of recent trading results. Due to the intended disposal of the Republic of Ireland titles, they have been valued at fair value less

estimated cost of disposal. The key cash flow assumptions for our publishing titles are explained in Note 15.

The anticipated future cash flows from the printing assets have reduced following the buy-out of the Group's contracting printing arrangements with News International. The review led to the recognition of an exceptional write-down in the period of £62.3 million which has been recognised in the Income Statement, as disclosed in Note 16.

In addition to the write-down of asset values, the Group incurred other restructuring costs (including redundancy costs) of £33.0 million (2012: £24.4 million) and includes a pension related expense of £4.4 million (2012: nil) relating to required contributions to the Pension Protection Fund and £1.3 million (2012: nil) of Section 75 debt.

Refinancing

In 2012 we successfully refinanced our existing lending facilities through to September 2015. The terms of our facilities provide strong incentives to implement an alternative debt structure by the end of 2014. We are now actively engaged in seeking a more fundamental restructuring of our debt that would provide a more normalised capital structure, which would in turn provide an optimal platform for the Company to continue its strategic initiatives.

Priorities for 2014

Significant progress has been made in implementing the longer-term vision for the future of Johnston Press with changes and innovations being undertaken to transform our revenue base and sustain our cost leadership position. More specifically for 2014, I have identified a number of priorities that will keep us on track to deliver our vision.

At the heart of this is culture change. Having lost almost 1,600 staff (average number of employees, see Note 9) in two years and, having come through a period of acquisition before that, we now need to build our Company as 'one Johnston Press,' putting both quality local journalism and innovative marketing solutions for small and medium-sized businesses at our core.

The focus on quality will be key, I want to achieve a big increase in customer and reader satisfaction by improving our end-to-end processes across our sales and editorial functions.

To really drive the quality agenda we will invest more resources into training. We must give our sales teams and journalists the tools and skills to get their jobs done as simply and effectively as possible.

Accelerating the growth in our digital offerings will be achieved through an increased focus on mobile, and expanding the social engagement of our digital products.

Finally, I want Johnston Press to be a data-driven organisation, an organisation where we really start to use the data about our readers and customers, from subscriptions to out-bound marketing, from targeted and behavioural advertising to winning new customers. We must put data and insight at the heart of Johnston Press and with this in mind, we are continuing to invest in and develop our marketing database.

To enable the above priorities, I have commissioned five enabling projects around Journalism, Publishing, Commercial, Digital and Data.

Employees

I have mentioned that our staff numbers have reduced significantly over the last year and I recognise that it has been a difficult year for many employees as they adjust to the changes needed to take the Group forward. Their professionalism and dedication has been tremendous and, although much more needs to be done to complete the delivery of our strategy, I would like to take the opportunity to thank all of them for their contributions through a very demanding time.

Summary

Last year, I stated that we remain exceptionally well placed to serve the demand for information about the communities in which people work and live. That remains the case but the way we do this is changing and the growth in our digital audiences continues to reflect this. To remain relevant to the communities we serve we are continually innovating. Examples of this are the launch of two initiatives in Harrogate and Bourne where editorial content is driven by the readers – an example of 'user generated content' in action. Early results are both encouraging and exciting and in the case of Bourne our audience across print and online has grown by over 150%. The demand from advertisers to reach those communities in a targeted and cost-effective manner also grows. We are on a clear journey to become the 'one-stop-shop' for advertisers and readers across all media in the communities we serve.



Ashley Highfield
Chief Executive Officer

Our Market and Strategy

Media consumption is changing. Life's local focus isn't.

Market Overview

The advertising market in 2013 continued to be challenging, however, there were positive signs of improvement as the year progressed. Advertising volumes declined during the period but improved in December by 1% year-on-year. Newspaper audiences remain resilient and circulation declines have largely been offset by cover price increases. The transition to digital is continuing and new audiences are now accessing content online – audiences that would not necessarily consume our content in print.

We are responding to the needs of our market by transitioning to digital faster than our competitors so that we become the number one provider of news and information services, and the number one provider of marketing solutions of small to medium-sized enterprises (SMEs) services, in our markets.

For our consumers of news and information we have relaunched our 196 news websites and have seen our digital audiences grow significantly across PC, tablet and mobile. In December 2013 we reached 13.3** million unique digital users (a year-on-year growth of 47.7%) and in January 2014 our digital audience rose to 16.8*** million unique users.

More comprehensive advertising related services for SMEs will be a key growth area in the market and we are responding to this by investing in our offering in this area. Research analysis shows that spending an additional £1 on advertising would benefit an SME nearly eight times as much relative to its size as an equivalent £1 spent by a larger business.* It also suggested that 30% of small business owners intend to make marketing a top business priority this year, making it nearly twice as important as raising funds to grow the business.****

Our strategy ensures that we remain competitive and responsive to the needs of our market; we are well positioned to benefit from an improving economic environment and to launch new services to both existing and new customers.

Regulatory Overview

Lord Justice Leveson made it clear in his report into press standards that the local press was not guilty of any wrongdoing and should not be disadvantaged by any new regulatory system.

However, the resulting Royal Charter – which launched with only limited consultation with our sector of the newspaper industry – had the potential to impose an expensive burden on local publishers.

We feared that both the costs and the bureaucracy a small, local newsroom could potentially face in defending its legitimate coverage would ultimately damage its ability to fearlessly report public interest matters on behalf of its readers.

Our local newspapers and websites have always adhered to the highest standards of the Press Complaints Commission and the public disquiet at the failings of a few national players owed much to the lack of enforcement of existing legislation with a very limited need for fresh Parliamentary intervention.

As a result, the industry has co-operated and is in the process of establishing its own Leveson-compliant Independent Press Standards Organisation (IPSO). All indications are that the vast majority of Britain's 200-plus newspaper and magazine publishers will join. Johnston Press's new Editorial Board has taken a strong and proactive role in the debate.

The new regulatory body will have: transparency; independence; authority to direct remedial action; call editors to account; investigate serious breaches of its code; and impose appropriate and proportionate sanctions and fines for the worst transgressions.

IPSO addresses our greatest concerns (relating to cost and vexatious, third party complaints). Under the alternative proposals, we considered it would be too easy to make claims against a newspaper, with all the cost associated with any such complaint being met by the newspaper itself. IPSO will give us the ability to continue to deliver the very best quality journalism at the grassroots of every community we proudly serve, while providing our readers with a fair and effective system to seek redress where mistakes are made.

* Source: 'Advertising pays 2' paper, published jointly by Deloitte and the Advertising Association.

** Source: ABC H2 2013.

*** Source: Webtrends (Internal Johnston Press digital audience analytics tool).

**** Source: BIA Kelsey.

Our Business Model and Strategy

Our strategy is focused on developing a sustainable business model.

Our Aim

To continue to grow our audience base and achieve long-term profitable revenue growth.

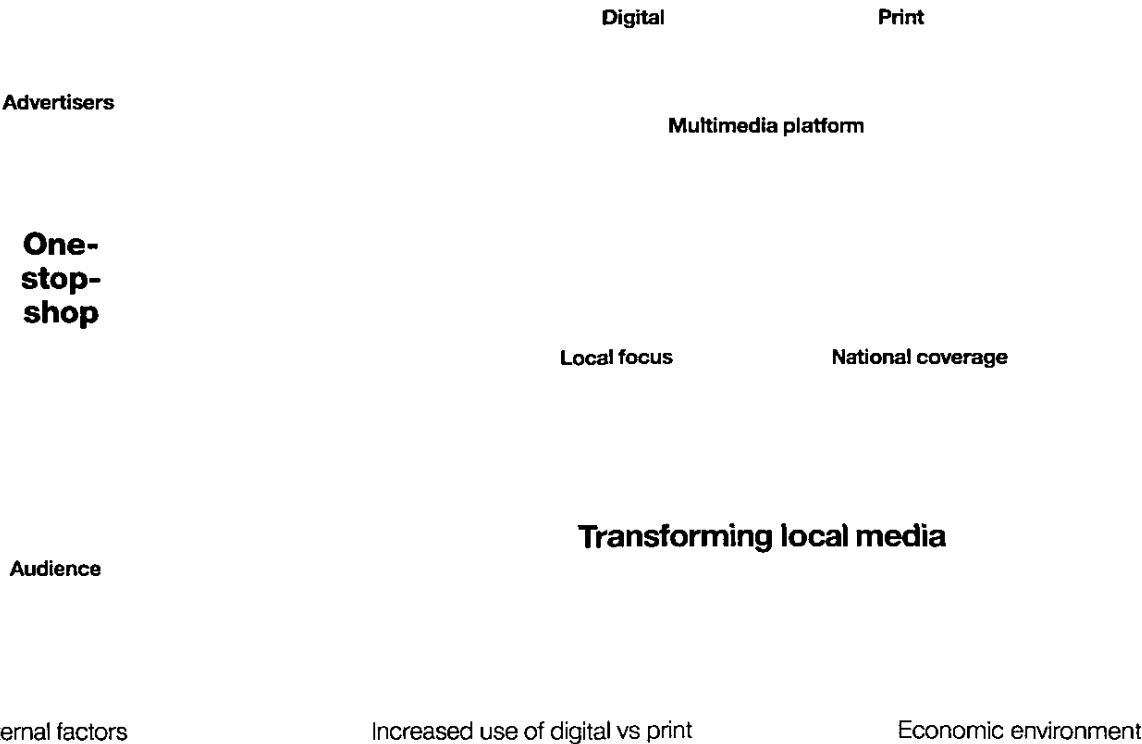
Our Customer Proposition

We are uniquely positioned to deliver a full range of highly local content, advertising and marketing services. We are the fabric that binds local communities together.

How We Operate

We generate high quality and relevant content across our various newbrands, in both print and digital. Content is generated by locally-based journalists, freelance contributors, purchased content from third parties and our readers. Our content draws audiences across its various

markets, and these audiences are attractive to advertisers who place adverts in our newsbrands. This allows us to act as a one-stop-shop for our community of readers and SME advertisers, which then allows us to provide additional marketing services to business across our markets.



How We Generate Revenue

Circulation revenues

Our audiences continue to consume our content through either our daily or weekly printed products, for which, in the majority of cases, we charge a cover price. Free access to our many of our digital products helps to continue our audience growth.

Advertising revenues

Local and national businesses who want to reach our audiences buy advertising space in our printed and digital products.

The more our audiences grow the more attractive our brands become to advertisers.

Small and Medium Enterprise (SME) marketing services revenues

We are starting to leverage our existing SME relationships to deliver new digital products and services. We have identified SME marketing services as a key growth area and aim for it to form a larger proportion of our total revenues in years to come.

What Will We Do to Achieve a Sustainable Business

We are working to transition to digital faster than our competitors so that we become the number one provider of local news and information services in our markets and the number one provider of marketing solutions for SME advertisers in our markets.

Circulation revenue & ad revenue

Ad revenue & digital revenue

Audience

Revenue

Our strategic priorities

- 1** Building overall audiences
- 2** Growing digital substantially
- 3** Returning to top line growth
- 4** Maintaining cost leadership
- 5** Growing profitability
- 6** Continuing to pay down our debt

Societal change

Increasing materials cost

Life is local

Our Strategy in Action

Continuing to serve our audiences in a trusted, quality and authentic way will remain the core focus of Johnston Press. Our year-to-year growth in aggregate audience provides confidence that we are achieving this.

1

Building Overall Audiences

Our overall audience growth was driven by our digital platforms, where we have relaunched all of our 196 news websites and continued to deliver high quality content online that resonates with our audiences.

What we did in 2013

- Our monthly digital audience growth in 2013 more than offset the print audience decline giving us an overall net audience growth of 17.1% year-on-year from December 2012 to December 2013.
- Digital audiences reached 13.3* million unique users in December 2013, up 47.7% year-on-year.
- Our mobile digital offering has grown from a standing start in 2012 to a monthly average of over 3.9 million unique users in 2013, accounting for 32% of total unique digital audience.**

What we'll do in 2014

- We will aim to continue growing our digital audiences whilst managing the decline in our print audiences (targeting single-digit decline across our portfolio), giving us a continuing aggregate audience growth.
- As well as growing our digital audiences, our relaunched websites have been designed to encourage our audiences to visit our news sites more often and consume more content across more pages, thus giving us a better understanding of audience behaviour and allowing us to segment our audiences and offer a more targeted offering to our advertisers and generate more monetisable page impressions.

* Source: ABC H2 2013.

** Source: Webtrends (internal Johnston Press digital audience analytics tool).

Building overall audiences

Case study

The wind of change driving our web traffic

When storms ravaged the country during December it wasn't just the tide that surged. Our web presence proved to be a vital source of information as locals clamoured for information, updates and videos in their weather-beaten communities. Our video views during the worst of the storms quadrupled helping December become the best month on record with 1.2 million video views. Up and down the country readers submitted images and videos – nine out of ten were weather related – driving traffic and ensuring some fantastic user generated content. Many of our own staff battled the adverse conditions throughout the night to keep locals constantly informed and safe.

We have seen a sustained growth in our web traffic in early 2014.

Number of video views (in December 2013)*:

1.2 million

Increase in video uploads December 2013 vs December 2012*:

189%

Increase in video views 2013 vs 2012*:

36%

* Source: Brightcove.

December 2012	December 2013
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Sunderland Echo photographers captured stormy seas lashing the Seaham lighthouse

* Source: Webtrends (Digital) & Matrix (Print), (internal Johnston Press digital audience analytics tool).

2

Growing Digital Substantially

As digital audiences have grown, so have digital revenues. In 2013 we managed to grow total digital revenues by 19.4% year-on-year with some of our major digital categories showing extremely encouraging growth.

What we did in 2013

- Total display advertising grew by 30.3%, local digital display advertising grew by 32.7% year-on-year with national digital display advertising growing by 25.9% year-on-year, with combined local and national digital display advertising growth in the second half of the year of 44.6%.
- This is driven by more visitors to our news sites, who make more visits and view more pages year-on-year.
- Our digital upsell rates have continued to grow. In December 2012 36.0% of our local display adverts in print also had a digital element to them. By December 2013 this figure had grown to 44.0%.
- Our digital motors category grew by 200.0% year-on-year, whilst our digital property category grew by 125.0%, albeit both from low bases.
- Our digital employment business, operating in an exceptionally challenging environment, still managed to post revenue growth of 4.1% year-on-year. Given that this category already has comparatively large scale (over £7.5 million in 2013), this is a strong performance and positions us well for 2014 and beyond.

What we'll do in 2014

- We are now working hard to grow these categories to the scale that will offset any future print declines that we may experience, thus helping us to reach our 'digital tipping point'.
- We will focus on growing our new offerings to a scale that will allow us to continue growing our top line. An example of this being Digital Kitbag, which is designed to meet the growing range of digital marketing channels available to SMEs. This will allow us to substantially increase:
 - The number of businesses we can offer relevant solutions to;
 - the share of marketing wallet that we can service; and
 - using our trusted local brands and customer relationships, we can become the 'trusted digital advisor' that SMEs are seeking to help them make the right decisions in the complex landscape of digital marketing.

Case study

Real jobs in a virtual world

More than 35,000 job-seekers flocked through the doors of our Virtual Careers Fairs during 2013.

The internet initiative enables online visitors to 'chat' to those companies represented about the latest job openings, receive valuable interview advice, swap ideas through online social media sites, share CVs and even apply for vacancies.

Job-seekers are also able to take a compatibility test to see which company might be a perfect fit. On the back of their success we plan to run many more through 2014.

Growing digital revenue substantially

Online jobseekers flocked to our Virtual Careers Fair

2012 2013
Digital revenue (£m)

Our Strategy in Action (continued)

3

Returning to Top Line Growth

During 2013 we have continued to invest in a new sales plan to up-skill, reorganise and better focus our advertising sales force to meet customer needs and increase our share of spend. The benefits of this investment coupled with an improving market have reduced our advertising revenue declines in print and have provided growth in our digital revenues.

What we did in 2013

- We focused on higher value activities such as longer series selling.
- This has allowed us to use time previously spent on repeating single sales to grow our client base, increase customer retention and penetration and grow digital revenues.
- We created a working group to gain a better understanding of our customer and product profitability.

What we'll do in 2014

- We will ensure that our pricing is right for the markets we operate in and focus on making our customers aware of the true value we offer and incentivise non-discount selling.
- The sales approach will be focused on specific customer needs and outcome selling.
- We will put in place the processes and tools to better manage sales activity and really focus on growing active accounts.

Case study

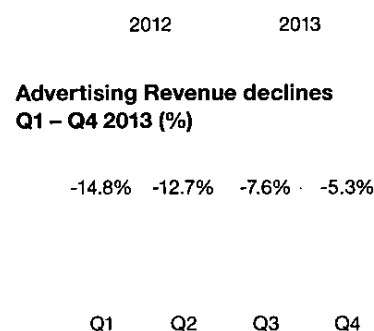
Digital Kitbag boosts advertising revenue

SMEs account for 40%* of UK turnover, but only 18%* of advertising spend. According to a survey conducted by BIA Kelsey, almost half of small and medium-sized business owners want to make marketing a top business priority, making it nearly twice as important as raising funds to grow. But they need better guidance on which marketing disciplines are best-suited to the needs of their particular business.

In 2013 – as part of our on-going vision to become the number one provider of marketing solutions to local businesses – we launched Digital Kitbag, a one-stop-shop offering digital expertise for SMEs. They trust our brands as key parts of their local community and we have the experience in both digital marketing and local business. Our Digital Kitbag goal is simple – to take the time and effort out of online marketing, so that SMEs can get on with what they do best – running their business. Businesses which can tap into the full range of digital marketing can increase revenue and improve customer loyalty.

* Source: Advertising pays 2: How advertising can unlock UK growth potential paper, published jointly by Deloitte and the Advertising Association.

Underlying revenues (%)



Advertising Revenue declines Q1 – Q4 2013 (%)

Digital Kitbag boosts businesses' online presence

We have stemmed the rates of decline of underlying revenues and advertising revenues.

4

Maintaining Cost Leadership

We have managed our cost base efficiently during the year. Adjusted operating costs were reduced by £37.6 million in 2012, a 12.2% year-on-year reduction, and a further £33.8 million in 2013, a 12.4% year-on-year reduction. Adjusted operating profit margins have improved from 17.3% in 2012 to 18.8% in 2013. The closure of titles and changes in frequency, as well as the loss of the News International contract have contributed to the reduction in the cost base. We will continue with our cost-saving initiatives in 2014; however, we are aware of the rate of change that has taken place in the Group in the last few years and will ensure we manage this change whilst executing on our planned initiatives.

What we did in 2013

- Identification and implementation of 'best practice' across the editorial, sales and back-office functions.
- Operational efficiencies and greater use of our advertisement creation outsource partners has allowed the final stage of consolidation within the Group to two internal production locations (Sheffield and Preston). This project will complete in the first quarter of 2014.
- In addition to the above, we have made significant costs savings across fleet, IT infrastructure, and property and estate.
- As a result of our efficiency initiatives, the average number of people employed by the Group has fallen to 4,188, a year-on-year reduction of 13%.

What we'll do in 2014

- Embed the 2013 cost savings initiatives and continually monitor them to ensure that they are delivering.
- Continue to seek efficiency opportunities and have already put in place a voluntary redundancy (VR) programme that goes a long way to delivering the 2014 cost savings target.

Maintaining cost leadership

2012 2013
Adjusted operating profit margin (%)

Prince Charles received a warm North Yorkshire welcome

Our Strategy in Action (continued)

5

Growing Profitability

Our continuing focus on top line growth whilst maintaining a strong cost discipline has allowed us to grow underlying operating profits, for the first time in seven years.

What we did in 2013

- In 2013 the Group grew underlying operating profit by 2.5%.

What we'll do in 2014

- Top line growth will be a key priority and we will look to execute our revenue generating opportunities.
- We will continue to seek efficiency opportunities in line with 'best practice' in our editorial, sales and back-office functions.

Case study

Commercial venture signals journey to revenue boost

The Scotsman carried an advertising wrap for the first time in February 2013.

East Coast Rail, a major long-term advertising partner of The Scotsman, used the wrap to highlight the launch of its Skyfall train on the London to Edinburgh route – coinciding with the release of the Blu-ray and DVD launch of Bond's latest adventure.

The wrap was supported by a bespoke microsite on Scotsman.com with additional wallpaper and overlays. Yorkshire Post followed suit several months later with its first cover wrap – again to support East Coast Rail.

That's a wrap!
The Scotsman carried
its first advertising wrap

Growing profitability (%)

2012

2013

Movement in underlying operating profit (%)

6

Continuing to Pay Down our Debt

Reducing debt as quickly as possible remains a key management priority. The Group has continued to generate high levels of cash and more recently this has been underpinned by controlled capital expenditure and an on-going review of the property portfolio which has allowed the Company to identify under-utilised property assets to be sold to release surplus cash.

Our net debt has come down from over £476.8 million in 2008 to £302.0 million at the end of 2013. We remain on track with our strategy of using strong cash flow and sale of non-core assets to reduce debt further.

What we did in 2013

- In 2013 we reduced net debt by £17.3 million to £302.0 million, which represents a further 5.4% reduction on 2012; and
- Our retirement benefit obligation in respect of our pension liability reduced by £43 million in the year between December 2012 and December 2013, due to improvements in the asset valuations offset by increased inflation assumptions.

What we'll do in 2014

- We remain on track with our strategy of using strong cash flow and sale of non-core assets to reduce debt further.
- On 3 March 2014 the Company announced that it proposes to refinance its debt facilities. Since then, the Company has made good progress evaluating a number of options, including a potential equity fundraising. Refer to Note 22 for more detail.

Case study

National advertiser generates new revenue

Offering our national advertisers a campaign which taps into and resonates with our valuable local audiences has been an objective – and one we delivered with great results this year.

We partnered with Camelot when they refreshed the National Lottery and were able to provide localised native advertising to market level through editorial content of Lotto community good causes.

More than 70 locally-relevant articles were published across our titles, supported by a dedicated micro-site and reader promotions.

The campaign encouraged 30% of respondents to take action and play.

The Lotto campaign generated local stories on a national scale

Continuing to pay down our debt

2012	2013
Net debt (£m)	

Key Performance Indicators

To measure performance against our strategic objectives, we have key performance indicators that are monitored regularly. Our performance in 2013 versus 2012 is shown below:

A reconciliation of the statutory to adjusted and underlying figures is provided in the Financial Review section on pages 24 to 31.

- Total underlying revenue (£m)
- Underlying print advertising revenue (£m)
- Digital revenue (£m)
- Underlying circulation revenue (£m)
- Underlying operating profit (£m)
- Net debt (£m)
- Employee – health and safety accidents (Number of employees involved in accidents, printing and publishing operations)
- Adjusted operating costs (£m)
- Audience growth (December 2012 vs December 2013)

Total underlying revenue
(£m)

£291.9 million -5.5%

308.8 291.9

2012 2013

There was a 5.5% year-on-year decline in total underlying revenues reflecting the tough advertising market through 2013.

- Underlying print advertising declined by 9.5% reflecting the on-going structural shift to online advertising and the difficult economic environment. Digital revenues grew by 19.4% and newspaper circulation revenue declines were relatively stable at 2.1% year-on-year.
- Although 2013 was a year of total underlying advertising decline, the digital growth of 19.4% was a good performance, driven by strong growth in the key advertising categories of jobs, properties and motors.
- The rate of decline in total advertising (print and digital) narrowed as the year progressed with quarterly declines narrowing from 14.8% in Q1, 12.7% in Q2, 7.6% in Q3, to 5.3% in Q4.

Total underlying print
advertising revenue
(£m)

£157.1 million -9.5%

173.5 157.1

2012 2013

Total underlying print advertising revenues declined by 9.5% in 2013.

- Print advertising decline rates in 2013 were impacted by the difficult economic environment during the early part of 2013. However, we believe that the big structural changes in classified advertising has now occurred and we may now be entering a more stable environment.

Digital revenue
(£m)

£24.6 million +19.4%

20.6 24.6

2012 2013

2013 was another important year for digital revenues in Johnston Press. Digital revenues grew 19.4% year-on-year to £24.6 million.

- Digital growth was strong throughout the whole year, with the first half of the year growing by 13.0% year-on-year and the second half growing by 25.3%.
- The key digital categories showed significant growth with online property growing by 125.0% year-on-year, online motors growing by 200.0%, online employment growing by 4.1%, total display grew by 30.3% year-on-year.

Underlying
circulation revenue
(£m)

£87.7 million -2.1%

89.6 87.7

2012 2013

2013 was the year that we completed the relaunch of all our titles. This investment has resulted in more attractive and user-friendly print products for both readers and advertisers.

- Underlying print circulation declines were relatively stable at 2.1% year-on-year.
- Circulation volume declines were mitigated by cover price increases.

Underlying
operating profit
(£m)

£54.3 million +2.5%

53.0 54.3

2012 2013

Our continuing focus on top line growth whilst maintaining a strong cost discipline has allowed us to grow underlying profits, for the first time in seven years.

- In 2013 the Group grew underlying operating profit by 2.5%, this is on the back of an operating profit decline of 9.6% in 2012.
- Top line growth and cost discipline will continue to be a priority in 2014, supporting further operating profit improvements.

Net debt
(£m)

£302.0 million -5.4%

319.3 302.0

2012 2013

Reducing debt to an appropriate level remains a key management priority.

- Our net debt has come down from over £476.8 million in 2008 to £302.0 million at the end of 2013.
- During 2013 we reduced our net debt from £319.3 million to £302.0 million, a 5.4% reduction.
- We remain on track with our strategy of using strong cash flow and sale of non-core assets to reduce debt further.
- On 3 March 2014 the Company announced that it proposes to refinance its debt facilities. Since then, the Company has made good progress evaluating a number of options, including a potential equity fundraising. Refer to Note 22 for more detail.

Employee health
and safety – accidents
(number of employees involved in accidents,
printing and publishing operations) (%)

1.9% -26.9%

2.6 1.9

2012 2013

Johnston Press ensures that every accident is reported and this is a key part of its control environment. Our rigorous health and safety management and reporting processes have helped to ensure that, 2013 has been the best year on record.

- The Group's publishing sites achieved nine months without any 'lost time' accidents and, at the date of this report, our print sites have not suffered a 'lost time' accident since January 2012.
- The number of employees involved in accidents in the Group's printing and publishing operations in 2013 was 1.7%, compared to 2.6% in 2012.

Adjusted operating costs
(£m)

£237.9 million -12.4%

271.7 237.9

2012 2013

Adjusted operating costs (including depreciation and amortisation and excluding exceptional and IAS 21/39 items) were reduced by £33.8 million in 2013, a 12.4% year-on-year reduction.

- Adjusted operating profit margins have improved from 17.3% in 2012 to 18.8% in 2013.
- The closure of titles and changes in frequency, along with the loss of the News International contract have contributed to the reduced cost base.
- We will continue to seek efficiency opportunities and have already implemented a voluntary redundancy programme (VR) that goes a long way to delivering the 2014 cost savings target.
- We have identified a number of new cost saving workstreams that we will be executing in 2014.

Year-on-year audience
(December 2012 vs December 2013)
(£m)

£21.2 million +17.1%

18.1 21.2

2012 2013

Our overall audience growth was driven by our digital platforms, where we have relaunched all of our news websites and continued to deliver high quality content online that resonates with our audiences.

- Our monthly digital audience growth in 2013 more than offset the print audience decline giving us an overall net audience growth of 17.1% year-on-year from December 2012 to December 2013.
- Digital audiences reached 13.3 million unique users in the same period, up 47.7% year-on-year.
- In January 2014, digital audiences reached 16.8 million unique users.

Principal Risks and Uncertainties

There are a number of potential risks and uncertainties which have been identified by the business that could have a material impact on the Group's long-term performance.

This is not a complete list of all those risks identified but those that the Directors feel could have a significant impact on the Group. By including risks within this section, the Directors make no prediction as to the particular likelihood of any event or set of events occurring. The business could also be affected by other risks not currently identified or considered to be significant.

Description of risk	Impact	Mitigation
Further Reductions in Print Advertising Print advertising revenues could decline at a faster rate due to further migration of customer spending to online media and a lack of consumer confidence in some of the markets in which we operate.	Online migration of classified advertising means that even with the economic recovery in the UK, it is unlikely that these revenues would be fully recovered. Consumer confidence is low in some of the markets in which we operate, and both national and local businesses spend on advertising may remain constrained.	The Group continues to develop its online advertising offering through partnerships, mobile apps and new verticals such as The Smartlist and WOW247. It also continues to invest in its sales expertise to ensure both a more proactive and effective approach and that the sales offering is fully understood by sales staff and customers. In addition the recent launch of Digital Kitbag will offer customers a full print and digital marketing service solution.
Covenant Compliance The Group has finance facilities in place which require certain financial covenants to be met, including profit and cashflow targets.	Should there be a breach of the Net Debt/EBITDA or Cashflow Service covenants in the Existing Lending Facilities, the lending banks and/or private placement noteholders would be permitted to exercise certain rights, including the right to: (a) cancel the relevant facility; (b) declare the loans/notes immediately due and payable; (c) declare the loans/notes repayable on demand; and/or (d) take any steps to enforce their rights (including the enforcement of any guarantees provided to them as security) which, if unsatisfied, could ultimately result in the commencement of insolvency proceedings against the Company.	The Group continues to use excess cash to reduce the level of debt. In December 2013, the lenders agreed to reset the Group's covenants from December 2013 to September 2015. The covenant levels have been set based on management's forecasts and expectations. Under normal trading conditions, the Group anticipates operating within the covenants throughout the term of the facilities. Refer to the 'Liquidity and Going Concern' section in the Financial Review section of the Annual Report, on page 31.
Newsprint Price and Supply Risk Following a period of relative stability, paper prices have risen recently. There is a risk to the business in terms of both supply and pricing of newsprint which, after staff costs, is the largest single expense incurred by the business.	In 2013 newsprint represented approximately 10% of the Group's cost base. A significant increase in price would impact the Group's profitability and a reduction in supply could impact the quantity of free newspapers we distribute in the market, which could in turn have an impact on advertising revenues.	The Group carefully manages its consumption of newsprint through waste management, recycling, pagination and distribution of free titles. The Group also has some of the most efficient printing presses in the industry. Contracts are put in place with key suppliers to ensure security of supply and optimum pricing.
Failure to Monetise Increased Readership of our News Websites This is an industry issue. Online advertising rates are lower and it is difficult to charge for accessing news online because free alternatives exist.	Readership continues to migrate to a digital environment where the advertising rates per reader are significantly lower.	Our digital strategy focuses on building digital audiences and revenues through new platforms and enhancing the content available to readers and advertisers. The Group has launched a number of paid-for news applications and continues to innovate its digital products.
Pension Deficit Funding The Group Defined Benefit pension scheme is currently in deficit leaving the Group responsible for potential shortfalls. The Group is engaged in renegotiating contribution levels which are expected to increase.	While working to reduce the pension deficit, the Group must balance this with the need to invest in the business and reduce the level of debt and resulting interest charges. See Financial Review for further information.	Higher deficit funding payments have been made to the scheme since June 2012 as agreed with the trustees and taking into account Group cashflow forecasts. The scheme is closed to future accrual and pension exchange exercises have taken place to limit the level of pension increases, reducing the liability further.

The risks listed opposite are those the Directors consider the most significant in terms of the general economic conditions in the markets in which we operate. These risks remain the most important in terms of the overall performance of the Group, but also relate to issues over which the Group has no control, namely:

- Change in Gross Domestic Product;
- Change in the unemployment rate;
- Levels of property transactions;
- Levels of new car sales;
- Levels of consumer confidence;
- Public sector spending; and
- Impact of Scottish Independence referendum.

Description of risk	Impact	Mitigation
Business Opportunities Constrained by Debt		
As the Group is operating above its optimal level of gearing, repayment of debt is a key priority. However, this focus could lead to missed revenue opportunities if insufficient funds are left available for investment.	The Group may be unable to take advantage of opportunities to invest in its core business or complementary revenue streams thus impacting its long-term growth prospects.	The Group seeks to comply with all the requirements of its funding arrangements in the most cash-effective manner and carefully prioritises any funds available for investment to those areas which can provide the greatest long-term return.
Restructuring Risk		
The Group is implementing a major voluntary redundancy programme which may cause disruption during the transition.	If material disruption is caused, it could affect quality of output and staff morale, and so reduce advertising and circulation revenue.	The Group has developed a planned phased approach to implementing the changes. The business has also updated its business continuity plan to cater for the changes.
Adequacy of Human Resources		
Like most organisations there is an element of dependency on certain key individuals in the Group.	Should some of these key people leave the organisation there could be the loss of industry knowledge, supplier relationships, technical expertise and leadership.	The Group has put in place succession planning across the organisation and this is reviewed annually by the Executive Directors and by the main Board. During 2013 continued effort has been put into staff engagement, including staff surveys, improved staff communication and the on-going awards scheme.
Lifestyle and Technology Changes Affect Newspaper Circulations		
Newspaper circulations continue to decline due to increased availability of news through alternative media channels and reductions in the regularity of purchase.	The reduction in circulations can lead to reduced newspaper sales revenues as well as reduced audience for our advertisers.	The Group continues to promote loyalty schemes to encourage increased frequency of newspaper purchase and is seeking to increase subscription rates. In response to changing reader habits we have introduced news websites tailored to mobile devices, increased the frequency of updates and promoted news and mobile services.
Interest Rate and Foreign Exchange Risk		
The Group has a financial risk in terms of variations in interest rates and foreign exchange rates.	Should interest rates increase, the Group could pay more in interest and this would put a strain on cashflow and debt reduction plans. The Group also has debt in US dollars and Euros and adverse fluctuations in exchange rates could affect net indebtedness.	The Group policy is that at least 50% of its interest rate exposure should be hedged. The Group has interest rate caps in place covering its sterling debt, which hedges in line with the lending facility agreement requirement of at least 80%, and the US dollar denominated debt at set coupon rates. The US dollar denominated debt is hedged with respect to foreign exchange risk such that there is minimal risk on either the interest payments on or the repayments of principal as and when they fall due. The Euro denominated debt was approximately €15.0 million (equivalent to £12.3 million) and is correctly matched by the value of Euro denominated assets, with interest payments funded by Euro cash flows from the Group's Republic of Ireland activities.
Slowdown in Rate of Digital Growth		
The Group has experienced strong growth in its digital income streams, particularly in 2013. The rate of growth could slow down if customers seek alternative routes to audiences served.	A slowdown in digital revenue growth could impact profitability. In addition, the Group adopts a long-term growth rate of 1% in assessing the valuation of publishing titles. In order to achieve this growth rate continued levels of growth in digital is required for the foreseeable future.	The Group continues to invest in improving its understanding of its audience and in growing its overall audience, as well as developing new products (eg: Digital Kitbag) to enable customers to reach their targeted audience and enable the Group to continue to participate in growth in digital advertising spend.

Operational Review

The Group continued to focus on delivering its strategic aims in print and digital.

Throughout 2013 we have focused on three key themes for the operational teams – restructuring, building our skills set and being properly equipped to develop further revenue opportunities as the Group continued to focus on delivering its strategic aims in print and digital.

We have made good progress in our on-going implementation of a new sales plan to up-skill, reorganise and better focus our face-to-face sales force on meeting local customer needs. This continues to be one of our most ambitious and, potentially most beneficial, projects.

The majority of our advertising customers are local businesses who we have served for many years. A great deal of work has been dedicated to an on-going review of many markets and sales teams to ensure we continue to have the right resources, technology and customer insight to meet the marketing requirements of local consumers. We are now able to offer more defined marketing solutions from the various media platforms we can provide. The review also includes an evaluation of sales skills and measures have subsequently been introduced to ensure that all existing and new employees attain an agreed standard of expertise.

This work has helped to embed the Group's multimedia face-to-face customer engagement programme and the organisation can fully benefit from the many digital platforms which have been advanced during the year.

To support media sales, the Group has made further improvements to its consolidated centre operations in Sheffield and Edinburgh. This has focused on implementing and developing best practices from the contact centre industry, using enhanced technology to manage the volume of enquiries and new customer relationship management systems to provide better customer insight.

Investing in the future of journalism

The News at Portsmouth launched the first venture of its kind in the UK – to train journalism students within its newsroom. The paper partnered with Highbury College to find the brightest young reporters of tomorrow and train them full-time in a newsroom classroom in The News' new offices.

The year-long course combined the best teaching from Highbury College's renowned journalism centre with real, hands-on reporting on The News. Editor Mark Waldron said: "Growing up as a wannabe reporter in Cowplain I was lucky enough to carry out work experience at The News and then be trained at Highbury. So combining the best of both worlds – quality training and real, work-based learning within our newsroom – is a fantastic prospect." The on-going project is being supported by the National Council for the Training of Journalists (NCTJ). The courses and examinations accredited by the NCTJ are recognised industry-wide and ensures aspiring journalists have the skills necessary to find their first job and progress in their chosen media field, whichever direction this takes them.

Young journalists of the future joined
The News team in Portsmouth

Print Online App Video

These projects are now supporting our various business development, including the new digital platforms for property and motors, the Group's voucher website, DealMonster (which is now operational in 14 towns, cities or regional areas), as well as non-geographical markets for travel and shopping deals. A new site has also been launched for the entertainment market, WOW247.co.uk, to support further the Group's engagement with the local communities.

In addition, the Group's recruitment portal Jobstoday.co.uk, continues to grow with new services such as The SmartList which provides application filtering and other benefits for a fixed price to recruiters.

All of our local digital platforms can be accessed via a dedicated mobile website. We have 196 websites for our local titles, and a further 13 sites for e-commerce, such as DealMonster and SmartList. We have tablet apps for 18 titles on iPad, Amazon Kindle Fire and Google Play Android. In addition, 11 titles now have smartphone football apps on both iPhone and Android platforms. These solutions support the programme of change in print products and some of the relaunched newspapers, and were backed by expanded digital activity including the ability to subscribe to the newspaper and digital service for a single price. During 2013 we completed the relaunch of the Group's newspaper titles into more modern standardised templates. The programme has helped quality control and given more time for editors to develop content in print and digital platforms and is unrivalled at this scale in the newspaper sector, driving both copy sales and the national advertising proposition.

The implementation of the re-launch programme has been assisted by changes made to our backroom fulfilment services. All aspects of production are now centralised to a single point enabling each newspaper to have the same workflows supported by a single design team for both advertising and editorial. These changes have included further consolidation of our press centres with the closure of the Peterborough, Leeds and Sunderland press halls over the past two years and also the partial outsourcing of advertisement creation work which has driven further efficiencies.

We are continuing to look at a number of markets and centres that still have accommodation which does not meet the requirements of the business going forward. We are looking at these properties in light of our 'Environment Charter'. The Charter is a commitment to provide accommodation and technology which will enable staff to conduct their specified tasks, primarily content gathering, in a modern and efficient way. Although a great deal of progress has been made in this regard, the projects will continue during 2014. Allied to this review, we are continuing to look at the technology and resources that our staff require. Accordingly, our programme to enhance technology systems across the Group has continued and many iPads and smartphones have been issued to sales staff, allowing them remote access to our customer relationship management system and providing much greater insight into our customers' needs. The Group has also equipped journalists to enable them to again work remotely in the heart of their local communities. This initiative has helped to greatly improve the quality, quantity and timeliness of multimedia content available on websites, mobile sites and tablet apps.

The importance of our staff remains paramount. We continue to invest in training and development along with further improvements to Group-wide communication. As we seek to re-inforce a shared culture through our 'one Johnston Press' initiative, features such as the Group's weekly e-newsletter and website 'The Word' become ever more important as a source of Group information. We again launched a staff satisfaction survey in 2013 to identify areas of improvement such as career development, recognition, training and leadership. Following the feedback from our initial survey we introduced a new annual Johnston Press plc awards scheme, to recognise and celebrate media and commercial excellence in our staff. Our first awards night was held in March 2013.

As our work to reshape Johnston Press continued through 2013, all aspects of the business were reviewed. As a consequence, we offered a voluntary redundancy programme to all our employees during the autumn which contributed to a reduction in average headcount of 609 over the period. This has allowed staff to accept enhanced terms to leave the Group and with a number of them doing so during the early part of 2014. Careful planning has been undertaken to ensure the efficiency of future operations and to maintain quality. The programme has allowed us to review and reform the way in which many services are provided, not least front counter operations and photography.

“The relaunch programme has also created an opportunity to review and improve the product portfolio for each market.”

Financial Review

In 2013 we posted the first positive year-on-year growth in underlying operating profit for seven years. We grew underlying operating profit by 2.5% year-on-year to £54.3 million.

Introduction

This Financial Review, based on the consolidated financial statements of the Group, provides commentary on the Group's performance during the 52 week period ended 28 December 2013.

Despite achieving some positive operational milestones in 2013, the financial result was adversely affected by a number of exceptional and one-off costs associated with the reshaping of the business.

Reconciliation of Statutory to Adjusted and Underlying Performance

52 weeks ended 28 December 2013	Statutory £m	Exceptionals ¹ £m	IAS 21/39 ² £m	Adjusted £m	Other ³ £m	Underlying £m
Revenue	302.8	(10.0)	–	292.8	(0.9)	291.9
Operating costs ⁴	(540.6)	310.5	–	(230.1)	0.3	(229.8)
EBITDA ⁵	(237.8)	300.5	–	62.7	(0.6)	62.1
Depreciation and amortisation	(7.8)	–	–	(7.8)	–	(7.8)
Operating (loss)/profit	(245.6)	300.5	–	54.9	(0.6)	54.3
Net finance costs	(41.2)	–	0.2	(41.0)	–	(41.0)
(Loss)/profit before tax	(286.8)	300.5	0.2	13.9	(0.6)	13.3
Tax	74.8	(71.3)	(0.1)	3.4	–	3.4
(Loss)/profit for the period	(212.0)	229.2	0.1	17.3	(0.6)	16.7
Operating margin	(81.1%)	–	–	18.8%	–	18.6%

Reconciliation of Statutory to Adjusted and Underlying Performance

52 weeks ended 29 December 2012	Statutory £m	Exceptionals ¹ £m	IAS 21/39 ² £m	Adjusted £m	Other ³ £m	Underlying £m
Revenue	358.7	(30.0)	–	328.7	(19.9)	308.8
Operating costs ⁴	(305.6)	46.6	–	(259.0)	15.9	(243.1)
EBITDA ⁵	53.1	16.6	–	69.7	(4.0)	65.7
Depreciation and amortisation	(12.7)	–	–	(12.7)	–	(12.7)
Operating (loss)/profit	40.4	16.6	–	57.0	(4.0)	53.0
Net finance costs	(47.2)	–	2.8	(44.4)	–	(44.4)
(Loss)/profit before tax	(6.8)	16.6	2.8	12.6	(4.0)	8.6
Tax	12.4	(2.9)	(0.7)	8.8	–	8.8
Profit/(loss) for the period	5.6	13.7	2.1	21.4	(4.0)	17.4
Operating margin	11.3%	–	–	17.3%	–	17.2%

1. Exceptional items set out in Note 7 to the financial statements.

2. IAS 21/39 finance costs set out in Note 11c to the financial statements.

3. Other adjustments have been made to reflect the impact of closed titles and the change of publication frequency of five titles from daily to weekly as well as the impact of the termination of the News International printing contracts in 2012 and 2013.

4. Operating costs include cost of sales and are stated before depreciation and amortisation.

5. EBITDA is earnings before interest, tax, depreciation and amortisation.

David King
Chief Financial Officer

The detail of the Other Adjustments are as follows:

- In each reported year, the revenues lost due to the closure in previous periods of 54 free titles and four paid-for titles, together with the conversion of five newspapers from daily to weekly publications have been removed from revenue; and
- The Group removes from operating profit an amount of cost that is equal to:
 - 100% of the lost revenue from the newspapers that were closed or converted to weekly publication;
 - costs equivalent to 10% of revenue for 2012 to cater for an allocation of shared costs to reorganised titles; and
 - the actual cost of sales of the discontinued printing operations for News International, together with mitigating cost savings and revenue from new print contracts which commenced in 2012.

In the case of the News International contract, these 'Underlying' business adjustments reconcile to amounts in the Group's accounting records. In the case of revenue lost from newspaper closures and conversions to weekly publications, the revenue adjustments represent an estimate that is based on the financial performance of the affected publications in the periods immediately prior to and immediately following the change. In the case of the associated adjustments to operating profit relating to newspaper closures and conversions, the cost adjustment that is equal to lost revenue is an estimate of the cost benefit arising as a result of the closure or conversion based on an assumption these activities were at a break-even position, but also recognising the benefit derived by these titles from shared costs.

Basis of Presentation of Results

In preparing commentary on performance, the financial impact of a number of significant accounting and operational items affecting the results have been adjusted for in arriving at the underlying results discussed in this Financial Review.

A reconciliation from the statutory to the adjusted and underlying results is provided below along with a description of the nature of the adjustments made.

Exceptional Items

Exceptionals mainly relate to the impairment of publishing titles and assets and restructuring costs incurred in reshaping the business as it progressively moves from a print to digital business as well as cutting our costs to maintain margins. Exceptional items include the following:

- £10.0 million revenue from printing contract termination;
- £202.4 million impairment of publishing titles;
- £68.4 million write downs in the value of presses and property assets;
- £34.0 million on restructuring and other costs; and
- £5.7 million PPF levy and Section 75 provision.

Refer to the discussion of 'Exceptional items' for further details.

'IAS 21/39'

These accounting adjustments relate to the fair value movement in derivatives and currency exchange and are separated out to assist the reader in understanding the operating results of the business:

- £1.7 million charge on changes in fair value hedges; and
- £1.5 million gain on retranslation of foreign denominated borrowings.

'Other Adjustments' to reflect 'Underlying' business

The Group results were impacted by operational changes which included the closure or merging of titles in previous years and the conversion of five titles from daily to weekly publications. In addition, a significant print contract was terminated with News International with the remaining contract bought out in 2013.

Financial Review (continued)

Advertising Revenue

Total advertising revenues in 2013 were £181.7 million, a decline of 10% from previous year. The underlying decline was 6.4% after adjusting for the impact of changing five titles from daily to weekly. All of this decline was from the print advertising categories which had an underlying decline of 9.5%, with digital revenues growing by 19.4%. The overall reduction in the rate of decline in total advertising revenues as the year progressed was encouraging, with declines improving from quarter to quarter. The quarter one to quarter four year-on-year declines were -14.8%, -12.7%, -7.6% and -5.3% respectively.

Print and Digital Advertising

Our advertising categories are driven by a number of key macro indicators including GDP, and the level of unemployment and levels of consumer confidence. Throughout the year, as the forecasts for these indicators improved, so did our performance and the second half of the year was significantly better than the first half, with decline rates in total advertising revenues moving from 13.8% in January to June to 5.6% in July to December.

“Print advertising was £157.1m in 2013; this is a decline of 13.3% compared to 2012 and represents an underlying decline of 9.5%.”

Performance Review

	Statutory				Underlying			
	2013 £m	2012 £m	% £m	% change	2013 £m	2012 £m	% £m	% change
Advertising revenues								
Print advertising	157.1	181.3	(24.2)	(13.3)	157.1	173.5	(16.4)	(9.5)
Digital advertising ²	24.6	20.6	4.0	19.4	24.6	20.6	4.0	19.4
Total advertising revenues	181.7	201.9	(20.2)	(10.0)	181.7	194.1	(12.4)	(6.4)
Non-advertising revenues								
Newspaper sales	87.7	91.8	(4.1)	(4.5)	87.7	89.6	(1.9)	(2.1)
Contract printing	21.2	48.4	(27.2)	(56.2)	10.3	8.4	1.9	22.6
Other	12.2	16.6	(4.4)	(26.5)	12.2	16.7	(4.5)	(26.9)
Total other revenues	121.1	156.8	(35.7)	(22.8)	110.2	114.7	(4.5)	(3.9)
Total revenues	302.8	358.7	(55.9)	(15.6)	291.9	308.8	(16.9)	(5.5)
Operating costs¹	(548.4)	(318.3)	230.1	72.3	(237.6)	(255.8)	(18.2)	(7.1)
Operating (loss)/profit	(245.6)	40.4	(286.0)	(707.9)	54.3	53.0	1.3	2.5

1. Operating costs includes depreciation, amortisation and exceptional items.

2. Digital advertising includes all digital revenues including DealMonster and other marginal non-advertising digital revenues.

Property

A strong property market with growing volumes of property transactions from both new-build and older properties will fuel growth in our Property advertising business in both print and digital. We saw early signs of this in the second half of the year primarily driven by government-backed schemes. This is an important advertising category and a healthy property market will not only benefit this category but can also benefit local display as businesses servicing home buyers and owners increase advertising spend. Despite this, the first half of 2013 still remained a very difficult market and as a result we saw this category decline by 10.8% year-on-year in 2013, with the January to June declines of

13.4% but encouragingly July to December declines reduced to 7.4%. Property print advertising recorded an annual decline of 12.7%, while digital advertising grew 125.0% albeit from a low base.

Employment

Our employment category was our strongest performing category over the year and generated £20.3 million in 2013, a single-digit annual decline of 7.3%. There was a stark difference in the first half of the year and second half of the year performances, with January to June 2013 recording an annual decline of 14.4% and July to December 2013 recording annual growth of 2.1%. Most of the 2013 growth was digital-led with digital

employment growing by 4.1% year-on-year and print declining by 13% year-on-year. Digital employment revenue now accounts for 37% of our total employment revenue and is the category with the highest proportion of digital revenue. While the Employment market remains strong, our improving performance in this category and changing mix from print to digital is expected to continue into 2014.

Motors

2013 remained difficult for both new and used car dealers. Encouragingly, however, the macro indicators for new car registrations is more positive for 2014 and we did witness some of this improvement in the second half of the year. Overall the motors category

Print and Digital Advertising Revenue Analysis

	Full year			Print			Digital		
	2013 £m	2012 £m	% change	2013 £m	2012 £m	% change	2013 £m	2012 £m	% change
Property	24.9	27.9	(10.8)	24.0	27.5	(12.7)	0.9	0.4	125.0
Employment	20.3	21.9	(7.3)	12.7	14.6	(13.0)	7.6	7.3	4.1
Motors	14.9	17.2	(13.4)	14.0	16.9	(17.2)	0.9	0.3	200.0
Other	44.4	49.0	(9.4)	37.8	43.0	(12.1)	6.6	6.0	10.0
Display	77.2	85.9	(10.1)	68.6	79.3	(13.5)	8.6	6.6	30.3
Total	181.7	201.9	(10.0)	157.1	181.3	(13.3)	24.6	20.6	19.4
Underlying adjustment ¹	–	(7.8)							
Total underlying revenue	181.7	194.1							

Print and Digital Advertising Half-Yearly Revenue Analysis

	52 week period			First half to June			Second half to December		
	2013 £m	2012 £m	% change	2013 £m	2012 £m	% change	2013 £m	2012 £m	% change
Property	24.9	27.9	(10.8)	13.6	15.7	(13.4)	11.3	12.2	(7.4)
Employment	20.3	21.9	(7.3)	10.7	12.5	(14.4)	9.6	9.4	2.1
Motors	14.9	17.2	(13.4)	7.6	9.5	(20.0)	7.3	7.7	(5.2)
Other	44.4	49.0	(9.4)	22.8	25.9	(12.0)	21.6	23.1	(6.5)
Display	77.2	85.9	(10.1)	38.1	44.1	(13.6)	39.1	41.8	(6.5)
Total	181.7	201.9	(10.0)	92.8	107.7	(13.8)	88.9	94.2	(5.6)

1. Reflects the impact of closed titles and the change of publication frequency of five titles from daily to weekly.

Financial Review (continued)

generated £14.9 million of revenue in 2013, an annual decline of 13.4%. Importantly the second half year annual decline was only 5.2% on the back of the first half year decline of 20%. The print category accounted for all the decline, with annual decline rates 17.2% and digital growing by 200%.

Display

Display advertising is sensitive to a number of macro indicators including the ones that drive our classified categories of Employment, Property and Motors. Our advertisers in these classified categories use display advertising both to generate sales, but also we believe for local brand awareness. 2013 started with tight control over marketing budgets for many of our Display advertising customers both at a local and national level. As with our other categories, there were signs of increasing spend during the year and this was reflected in the performance for this category in the latter months. Overall display advertising generated £77.2 million in 2013 an annual decline of 10.1%, with the first half of the year declining by 13.6% year-on-year and the second half declining by 6.5% year-on-year. Print advertising declined by 13.5% year-on-year and digital grew by 30.3% year-on-year.

Other

The Other category includes Entertainment, Public Notices and Other Classified, DealMonster and other marginal digital income. This combined category generated £44.4 million in revenue, representing an annual decline of 9.4%, with print declining 12.1% and digital growing by 10%. Public Notices in print performed comparatively well with an annual decline rate of 6.8%, Other classified and Entertainments had the biggest decline rates of 17% and 23% respectively. The digital growth of 10% was driven by Public Notices.

Audience Growth

Our digital advertising as a whole has benefited from substantial traffic growth, following further investment in our websites and increased levels of content. In summary we have more visitors to our websites, who visit more frequently, more pages and higher sell through rates with higher average order values.

Non-Advertising Revenue

Newspaper sales generated £87.7 million in the year against £91.8 million in 2012, a decline of 4.5%. This decline was halved to 2.1% after taking account of the closed titles and change of frequency of the five titles from daily to weekly. 2013 was the year that we completed the relaunch of all our titles and continued our strategy of cover price increases. Our relaunched titles have standardised templates that we believe will be more attractive to readers and make it easier for advertisers to buy across multiple titles.

Contract printing revenue was down 56.2% compared to 2012 and was almost exclusively a result of the termination of the News International contract.

Operating Costs

In the period ended 28 December 2013, operating costs including exceptional items and IAS 21/39 adjustments increased by £230.1 million to £548.4 million (2012: £318.3 million). Total operating costs before exceptionals reduced by £33.8 million to £237.9 million (2012: £271.7 million).

On an underlying basis, after adjusting for exceptionals and IAS 21/39 adjustments (as well as making adjustments for the closure of titles, changes in frequency of publication and stripping out the costs associated with the termination of the News International print contract), underlying operating costs decreased by £18.2 million to £237.6 million (2012: £255.8 million).

Refer to the section on Exceptional items for a description of exceptional operating expenses.

Operating Profit

In 2013 we posted the first positive year-on-year growth in underlying operating profit for seven years. Underlying operating profit grew by 2.5% year-on-year to £54.3 million from £53.0 million. This compares favourably with previous years and illustrates we have stemmed the rate of profit decline.

Despite underlying profit growth, the trading environment in the Group's markets continued to be difficult during 2013 albeit with early signs of improvement in the latter part of the year. Advertising revenues remained under pressure throughout the year but we saw significant improvements in the rate of decline as each quarter passed. Total underlying Group revenues were down £16.9 million to £291.9 million, a decline of 5.5%.

The revenue declines were mitigated by cost reductions, which were reduced from £255.8 million to £237.6 million, a year-on-year underlying reduction of 7.1%.

Our gross margin remains strong and grew from 17.2% to 18.6% on an underlying basis for the year, despite a level of investment in the online business.

Exceptional Items

In addition to the trading results discussed above, a number of items have been identified as exceptional either due to the size or nature of the item. Total net exceptional items before tax was £300.5 million (2012: £16.6 million) and included:

- £10.0 million revenue from the termination of a long-term printing contract with News International;
- £202.4 million impairment of publishing titles, in part reflecting changes in the discount and growth rate assumptions applicable to the business and sector as a whole;
- £68.4 million write down in the value of presses and property assets brought about as a result of structural rationalisations and closure of specific operations (particularly presses);

Operating Costs

	Statutory				Underlying			
	2013 £m	2012 £m	£m	% change	2013 £m	2012 £m	£m	% change
Operating expenses – ordinary	237.9	271.7	(33.8)	(12.4)	237.6	255.8	(18.2)	(7.1)
Operating expenses – exceptional	310.5	46.6	263.9	566.3	–	–	–	–
Operating costs	548.4	318.3	230.1	72.3	237.6	255.8	(18.2)	(7.1)

- £33.0 million on restructuring and other costs designed to reduce staff costs and enable operating efficiencies and £1.0 million on professional fees and aborted disposal cost; and
- £5.7 million net pension charge due to accrual of Pension Protection Fund levies of £4.4 million and a section 75 debt of £1.3 million.

The only exceptional items that involved significant cash outflows for the Group in 2013 were the restructuring costs of £33.0 million of which £9.4 million was paid in the period with the balance to follow in subsequent years, and pension related costs. Further details are included in the cash flow and notes and in Note 7 to the financial statements.

IAS 21/39 Items

IAS 21/39 items relate to the fair value movement in the Group's derivative financial instruments (primarily interest rate caps and foreign exchange call options) as well as the retranslation of the Group's US dollar and Euro denominated borrowings. The net charge for the year was £0.2 million (2012: charge of £2.8 million). Further details are shown in Note 11c to the financial statements.

Finance Income and Costs

Net finance costs excluding IAS 21/39 items for the 52 week period ended 28 December 2013 were £41.0 million, a decrease of £3.4 million or 7.7% from net finance costs of £44.4 million for the 52 week period ended 29 December 2012. The largest component of net finance costs was interest on loans, which were £39.8 million in 2013 and £42.1 million in 2012.

The £3.4 million decrease in net finance costs was primarily due to reduced debt levels, and includes £0.9 million decrease associated with pensions.

In accordance with Group policy, the Group's interest rate exposure (excluding any impact of exchange rates) is hedged through interest rate caps. Accordingly, the Group's exposure to interest rate increases is limited.

Loss Before Tax

The Group's loss before tax was £286.8 million (2012: loss before tax of £6.8 million). The significant difference between 2013 and 2012 was the exceptional expense recognised in 2013 of £300.5 million as discussed previously.

Tax Rate

The statutory tax credit of £74.8 million (2012: £12.4 million) comprises a current tax charge of £0.6 million (2012: £3.7 million) and a deferred tax credit of £75.4 million (2012: credit of £16.1 million).

The tax credit of £74.8 million for the period and the £62.4 million increase was primarily attributable to the recognition of the tax benefit arising on the impairment write down on intangible publishing title assets and benefit of reorganisation costs as well as the benefit of the change in tax rate to 23% from 1 April 2013.

The Group's effective tax rate was 26.1% for the 2013 financial year and 182.8% in its 2012 financial year. The 23.25% basic tax rate applied for the 2013 period was a blended rate due to the tax rate of 24.0% in effect for the first quarter of 2013, changing to 23.0% from 1 April 2013 under the section 6 of the Finance Act 2012.

Earnings Per Share and Dividends

Basic loss per share was 32.74p, compared with earnings of 0.88p in 2012. The deterioration of basic earnings per share reflects the following:

- Impairments and write down of assets totalled £270.8 million in 2013 compared with £24.8 million in 2012;
- other exceptional operating expenses items totalled £39.8 million in 2013 compared with £21.8 million in 2012;
- a reduction in the operating profit before exceptional and IAS 21/39 items of £2.1 million;
- a £6.0 million decrease in finance costs including a £0.9 million decrease in net finance expense on pension assets/liabilities;
- IAS 21/39 movements in 2013 were a charge of £0.2 million compared to a charge of £2.8 million in 2012; and
- the increase in tax credits of £62.4 million.

Excluding exceptional and IAS 21/39 items, the adjusted earnings per share of 2.65p was down from the previous year's comparative of 3.42p.

The Group's finance arrangements preclude the payment of ordinary dividends until the ratio of net debt to EBITDA falls below 2.5 times.

Cashflow, Financing and Net Debt

Net debt at 28 December 2013 was £302.0 million, a reduction of £17.3 million on the prior year. The Group remained cash generative throughout the year, with net cash received from operating activities of £51.7 million including £10.0 million received from News International. The cash was primarily used for cash interest payments of £24.8 million and to repay borrowings and loan notes of £33.1 million. The Group maintained tight control of net capital expenditure with £7.4 million spent, while proceeds received from the disposal of surplus assets (primarily property sales, titles and the disposal of closed presses) were £5.7 million.

The maximum cash interest margin payable in the case of the bank facilities is LIBOR plus 5.0%, and in the case of the loan notes, a cash interest coupon rate of up to 10.3%. The interest rates are based on the absolute amount of debt outstanding and leverage multiples and reduce based on agreed ratchets.

In addition to the cash interest, a PIK margin accumulates and is payable at the end of the facility. The PIK accrual has increased from £8.5 million to £20.3 million reflecting a non-cash charge of £11.8 million in the period. The PIK margin rate is again based on the absolute amount of the debt outstanding and leverage multiples and reduces based on agreed ratchets. If the loan facilities are fully repaid prior to 31 December 2014, the rate of the PIK margin accrued throughout the period of the agreement will be recalculated at a substantially reduced rate.

There is an agreed repayment schedule of £70.0 million over three years with £30.0 million remaining payable as at 28 December 2013, of which £5 million was paid on 31 December 2013. In addition, a pay-if-you-can (PIYC) repayment schedule was agreed totalling £60.0 million over three years, with £52.5 million remaining payable at 28 December 2013 of which £7.5 million was paid on 31 December 2013.

Financial Review (continued)

Five-year share warrants over the Company's share capital have been issued to the Group's lenders. Warrants for 2.5% of the Company's share capital were issued on completion of the new financing arrangements and a further 5.0% were issued in September 2012. In addition, the exercise period for the 5.0% warrants issued to the lenders in August 2009 was extended to make the expiry of all the warrants coterminous in September 2017. As a result, warrants equivalent to a total of 5.1% of the Company's issued ordinary share capital have been issued. During 2013, 44,428,306 warrants were exercised, generating £4.4 million of cash for the Group.

Net Asset Position

At the period end, the Group had net assets of £97.1 million, a decrease of £176.8 million on the prior year. The movements in the net asset position from the prior year includes: £202.4 million on impairment of publishing titles in part reflecting changes in the discount and growth rate assumptions applicable to the business and sector as a whole; £68.4 million write downs in the value of presses and property assets brought about as a result of structural rationalisation and the exit of the remaining News International contract; increased centralisation, divisional and title reorganisations and closure of specific operations particularly presses; and £24.4 million on redundancy accruals relating to restructuring. These were partially offset by a £43.0 million reduction in the deficit on the defined benefit plan as the actual return on assets exceeded the expected return and a £67.8 million reduction in deferred tax principally due to the tax effecting of the intangible write downs and change in tax rates.

Pensions

The Group's defined benefit pension plan deficit (as assessed under IAS 19) decreased by £43.0 million over the year to £78.3 million. The decrease in the deficit was largely due to improvements in asset valuations partially offset by increased inflation assumptions.

The amount of contributions committed to be paid to the scheme during 2014 is £5.7 million (2013: £5.7 million) plus share of asset disposal proceeds, as agreed as part of the formal actuarial valuation undertaken as at 31 December 2010.

The Pension Fund Trustees are taking professional advice, including actuarial input, to determine whether any employer debt is payable to the Plan following the previous cessation of five participating employers. At period end, £1.3 million has been provided for.

During the period the Pension Fund Trustees have agreed to carry out a formal actuarial valuation at 31 December 2012, effective as at one year ahead of the next planned valuation date of 31 December 2013. The outcome of the review will not be formalised until after the reporting date. The Trustees have indicated that they will seek an increase in the committed annual contributions. The Trustees are also consulting with the Group about planned changes to the investment strategy of the Plan to reduce the level of risk.

The levy payable by the Pension Fund to the Pension Protection Fund for the year to 31 March 2013 was £3.1 million and for the year to 31 March 2014 is £3.2 million. The Group has committed to the Pension Fund to underwrite any annual charge in excess of £0.7 million. The Group has paid £1.5 million during 2013 and at period end accrued £1.0 million in connection with the year to 31 March 2013 and a further £1.9 million has been provided for the nine month period to 28 December 2013 within trade and other payables. It is expected that this levy will continue in 2014. The level of increase in charges is not known at this point.

The Johnston Press Pension Plan is subject to a potential increase in its liabilities due to benefit equalisation not having taken effect for a specific group of members. The Group's lawyers have advised that an application to court be made and are confident of a successful outcome in the case. The Group is aiming to issue an application to court in the first half of 2014 with the expectation that the hearing would take place before the end of 2014. No provision has been made in the financial statements as the Group's management does not consider that there is any probable loss however the maximum obligation in relation to this matter is expected to be in the region of £8 million, based on the most recent calculations.

IAS 19 (revised 2011) – 'Employee benefits' is effective for annual periods beginning on or after 1 January 2013 and will therefore be applied the next accounting period. The key changes are the deferral of actuarial gains and losses will no longer be permitted and the deficit should be recognised in full on the

balance sheet (subject to any restrictions in IFRIC 14); the finance cost, which is currently the difference between the interest on liabilities and expected return on assets will be replaced by a net interest cost. In most cases the finance cost will increase as the expected return on assets will effectively be based on the discount rate (i.e. the returns available on AA-rated corporate bonds) with no allowance made for any outperformance expected from the Plan's actual asset holding; more disclosure will be required about the risks posed by the Plan. Had the Standard been applied in the current financial year, the Group's profit before tax would have been reduced by approximately £5.2 million.

Capital Expenditure

In the financial periods ended 28 December 2013 and 29 December 2012, the Group incurred capital expenditure of £7.3 million and £5.2 million respectively. Of this, £4.3 million was spent on infrastructure and £3.0 million on developing the digital platforms.

Financial Reporting

With the exception of the application of IAS 19 (revised) – Employee Benefits in 2014, the IFRS standard changes applicable in 2014 are not expected to have a material impact on the financial statements of the Group in future periods. Additional details on changes in the standards are included in Note 2 to the financial statements.

Control Processes

As discussed in the Report of the Audit Committee, the Group operates internal control processes that assist in the efficient operation of the Group's businesses. Central to these processes and controls is the fact that the general ledgers, fixed asset registers, payables system, expenses and payroll are controlled through our shared services centre in Peterborough, with all cash processing and sales ledger balances for mainland UK being controlled through a single centre in Leeds. Plc related expenditure is managed in Edinburgh.

Factors Affecting Future Group Performance

The performance of the Group will continue to be affected by the economic conditions in our markets, cyclical conditions, structural and business specific circumstances and trends in employment, property transactions, new car sales and the levels of consumer confidence.

However, the outlook for the Group will also depend on a number of other factors, including:

- Successful implementation of the Group's strategy;
- growing new revenues (particularly digital) in the Group's existing market segments;
- trends seen in the second half of 2013, continuing in 2014;
- ability to adapt to customer requirements through new sales propositions and advertising channels;
- continually improving existing efficient operations through technology infrastructure and improved processes; and
- further re-engineering of the cost base of the business.

Liquidity and Going Concern

The Group and the Company continues to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The Group's bank facilities and private placement loan notes contain three quarterly covenant tests, Consolidated EBITDA to Consolidated Net Borrowing Costs, Consolidated Net Borrowings to Consolidated EBITDA and Consolidated Net Cash Flow to Total Debt Service, in addition to a Consolidated Net Worth covenant which is tested at the half-year and year end. In December 2013 the Company and its lenders agreed to reset financial covenants until September 2015, providing the Company with the opportunity to pursue a full refinancing in 2014. When tested throughout the year and at 28 December 2013, the covenants were all met.

The Group has continued to report improving trends in underlying profitability, has reduced its net debt from £319.3 million at 29 December 2012 to £302.0 million at 28 December 2013, and is now exploring the opportunity to repay its existing bank facilities and private placement loan notes, through a combined debt and equity capital refinancing during 2014.

The Board has undertaken a recent and thorough review of its forecasts and associated risks. These forecasts extend for a period of 12 months from the date of approval of these financial statements and demonstrate anticipated compliance with financial covenants over this forecast period,

albeit with limited headroom. The Directors are satisfied that it is reasonable to adopt the going concern basis of accounting following this review, further details of which are set out below.

The forecasts make key assumptions, based on information available to the Directors, on a number of items including:

- External advertising forecasts;
- current print advertising run rates;
- growth in digital revenues;
- the impact of newspaper cover price increases on circulation revenues;
- existing and planned cost reduction measures;
- planned disposals of non-strategic assets;
- projected debt service and interest costs over the next 12 months;
- expected future cost of the PPF levy; and
- the levels of advisory fees and other costs incurred in exploring refinancing if it were subsequently delayed or aborted.

The Directors recognise that some of the assumptions referred to above are not within the Group's control and around which therefore there remains some uncertainty. Good progress has been and continues to be made against all of the key assumptions: the overall economic environment is improving, digital revenues are growing strongly, circulation revenues are stabilising, cost savings targets have been met, good progress has been made on planned asset disposals and debt reduction continued, as evidenced by underlying increases in operating profits and margins and debt reduction.

The risks described are not new. However, in the event that a number of the following were to happen concurrently, before the Group has successfully refinanced – a deteriorating economic climate, a lack of successful execution of the strategy by the Group, the delay or inability to continue to make cost savings, unexpected increase in raw materials, a lack of success or delays in completing the sale of non-core property and other assets and the Group incurred significant additional adviser and other costs in connection with a refinancing without the benefit of a successful refinancing – and thus the Group were to breach its financial covenants, then this would give lenders,

acting in their majority, the ability to demand repayment of the facilities. As discussed, the Group has renegotiated its covenants and is in constructive discussion with its existing lenders and Pension Trustees with a view to achieving a successful refinancing during 2014.

Despite the covenant reset, the Group forecasts show limited headroom and therefore in accordance with Accounting Standards and the UK Financial Reporting Council guidance for Directors on going concern, it is appropriate for the Directors to recognise a material uncertainty, which may give rise to significant doubt over the Group's and the Company's ability to continue as a going concern, and if the majority of lenders chose to exercise their rights in such an event, the Group and the Company may be unable to realise assets and discharge their liabilities in the normal course of business. The consolidated financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Nevertheless, after making enquiries and considering the uncertainties above, the Directors have a reasonable expectation that the Group and the Company will continue to trade within the terms of its existing financial arrangements and will have adequate resources to continue operating in the normal course of business for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the consolidated and parent company financial statements.

Corporate Social Responsibility

Johnston Press is committed to operating all of the Group's business activities to the highest standards of business ethics and integrity. These principles are reflected in the Group's approach to Corporate Social Responsibility.

Business Ethics

Our activities are supported by clear policies and procedures for addressing relevant issues.

Policies are made available to employees with supporting guidance and are designed to protect both the employee and employer. We seek to act as a fair and reasonable employer and are very aware of our responsibilities to readers, customers, suppliers, shareholders, other stakeholders and the environment.

We operate a code of ethics which specifically requires adherence to all legal requirements. It has clear policies and procedures for addressing issues such as bribery, corruption and conflicts of interest. The Group opposes discrimination and is a supporter of human rights.

Board Responsibility

All matters related to corporate social responsibility remain the delegated responsibility of the Executive Directors. They are assisted by the Company Secretary.

Responsibility for formulating, updating and ensuring adherence to Group human resources policies and relevant legislation has been delegated to the Director of Human Resources, who reports to the Chief Executive Officer on these issues.

The Directors also regularly review issues relating to the Company's Corporate Social Responsibility Statement. We monitor developments in relevant environmental, social and governance issues and to respond to changes in legislation, regulation and best practice. Environmental, social and governance risks are assessed as part of the Group's on-going risk analysis.

The Board supports gender diversity and in considering Board appointments, the Nomination Committee is required to consider candidates on merit and against objective criteria with due regard for the benefits of diversity on the Board, including gender. The Company currently has one female Non-Executive Director.

Diversity

Throughout the Group, the Board and the Company are mindful of the benefits of a diverse workforce. Our Diversity Policy makes clear our commitment to equal opportunity, fairness and respect for all. We recognise and appreciate the differences of age, gender, gender reassignment, marital or family status, race, nationality, ethnic origin, disability, religion and belief and sexual orientation. We firmly believe that diversity adds clear value to our employees, our business, our customers, our suppliers, our shareholders and the communities we serve. The benefits of our policy mean that we have a diverse workplace reflecting those communities, helping us to engage with, and be relevant to, them. The age and gender profiles for our workforce can be seen in the table below.

Gender	Split 2013	Split 2012
Female	51.60%	51.40%
Male	48.40%	48.60%

Age Group	Split 2013	Split 2012
Under 30	18.40%	19.60%
30 to 39	28.40%	28.80%
40 to 49	26.20%	25.30%
50 to 59	20.90%	20.30%
Over 60	6.10%	6.00%

Car Fleet

Our car fleet is a combination of owned and leased vehicles although a programme of change to it being fully leased continued throughout 2013. As part of this, we aim to move to lower emission vehicles wherever possible.

A series of online driver training initiatives took place in January 2013 for Company car drivers in conjunction with training provider Peak Performance, and further training is planned for 2014 with the help of our car fleet insurers.

Community Involvement

Our news brands are as much a part of their communities as the people who live and work there and are trusted to provide great content across a range of mediums – whether it is breaking a news story, supporting a local cause, championing a charity or launching a fund-raising campaign.

Building our digital audience is an on-going strategic priority and we have made great strides in continuing to meet the growing demands of an audience who expect their diet of news immediately. Our websites have seen not only impressive audience growth throughout the year but a surge in video content, supplied by both our news teams and, increasingly, by our readers.

In 2013 both our news teams and customers fully embraced social media which means that the likes of Twitter and Facebook now play a key supporting role when it comes to updating our audiences with immediacy – the importance of which was never more apparent than through the terrible storms at the end of 2013, which badly affected large parts of the country. Our journalists were able to provide running commentary as well as crucial updates in the worst affected areas even though (in some cases) they themselves were displaced because of flooding in their towns and even their newsrooms.

As always, campaigning has been a real strength – whether it's been changing the political tide of opinion, lobbying for better local facilities or backing a cause which may otherwise have gone unnoticed. Across our titles hundreds of thousands of pounds has been raised for great causes and, in some cases, our news brands have literally helped to save lives.

Serving our Communities

Yorkshire Evening Post help to save lives with its 'First Aid For All' campaign

The Yorkshire Evening Post launched a campaign to recruit an army of lifesavers in Leeds after shocking figures revealed that more than half of the city's parents lacked the first aid skills to save their child's life.

Nearly one-fifth of the city's parents did not view learning first aid as important and experts fear it would only take something as severe as the death of a loved one to make individuals learn basic first aid.

The paper teamed up with St John's Ambulance to offer a series of special courses in a bid to teach 500 people from across the city lifesaving skills.

The hard-hitting campaign gathered support from a number of politicians, including the shadow chancellor Ed Balls, who attended one of our courses.

'First Aid for All' was also backed by Leeds Rhinos and Leeds Carnegie rugby teams who encouraged supporters to sign up to be a lifesaver.

The response to the campaign was fantastic. 130 people signed up to the courses in the first few weeks and the Yorkshire Evening Post announced a new series of dates earlier this year (2014) to cope with the on-going demand from its readers.

"By using a number of human interest features the campaign has encouraged readers of all ages to sign up to join the Yorkshire Evening Post's army of lifesavers."

Above Left: Volunteers learnt lifesaving skills as part of the Yorkshire Evening Post's First Aid For All campaign

Above Right: Shadow Chancellor Ed Balls joined volunteers at a YEP-backed First Aid For All session

By using a number of human interest features the campaign has encouraged readers of all ages to sign up to join the Yorkshire Evening Post's army of lifesavers.

The paper also featured a weekly column with first aid techniques which tied in with videos on our website for first aid incident guides such as how to stop someone from choking.

Our campaign is still on-going and we are hoping that in the coming months we will smash our target to recruit 500 potential lifesavers.

Corporate Social Responsibility (continued)

Serving our Communities (continued)

Campaigners took their petition to Downing Street hoping for a change in organ donation laws in Miley's Memory

In Miley's Memory

Miley Turbitt was a 14-week-old baby who died after a heart donor could not be found in time to save her.

The aim of Miley's Memory, launched by the Shields Gazette, was to encourage more organ donors to sign up and to petition government for a change in the law to make organ donation automatic – with an opt-out system rather than the current opt-in.

Part of the campaign included a visit to Downing Street to present a petition. Shields Gazette Editor, Joy Yates plus the Mayor and Mayoress of South Tyneside joined Miley's family on the visit. The Statistics from NHS Blood and Transplant in September, revealed that before the campaign was launched the average sign up in South Tyneside was 156 people a month.

Throughout the campaign (which ran from February to July 2013) this figure increased by 71%* per month – meaning the average monthly sign up in South Tyneside rose to an impressive 267 people.

* Source: NHS Blood and Transplant.

The Longest Day

In June, as part of an editorial project 'Summer of Love', to boost local businesses and encourage them to advertise, Johnston Press launched its first group-wide video challenge – The Longest Day.

Our journalists created compilations of shots showing a 'life in a day' in their communities, which offered the perfect opportunity for our titles to capture the longest day in their part of the world.

The social media campaign drove audiences to take a look at the resulting footage, with readers also being invited to take part so the finished videos included user generated content as well.

Jeremy Clifford, Chairman of the Group's Editorial Board, added: "This was a great way to galvanise journalists across the Group behind a single project and produced some terrific results."

The initiative saw the #longestlocalday trending in the UK and increased video uploads by up to 63%.*

* Source: Brightcove.

Employee Involvement

We employ over 3,200 people (full-time equivalent) in the UK and Republic of Ireland and our aim is to attract, retain and engage the best people. The Company wishes to be seen as a great place to work and a significant review of our culture was undertaken during 2013. This will continue to evolve throughout 2014.

The YourSay all-staff survey, which was launched in January 2013, identified some key areas for improvement and many of these changes were implemented throughout this year. Our internal communications channels were reviewed, ideas and feedback taken on board and, as a result, led by Ashley Highfield we have fostered a more transparent and inclusive approach across the entire business. We plan to further build on these significant changes into next year.

Our expectations in terms of managers' and employees' behaviour and standards are set out in our Value Statements, Personnel Policies & Procedures, Employee Handbook, Codes of Conduct and Contracts of Employment. Our grievance and whistleblowing procedures allow any employee to report behaviour that is contrary to our policies or is in any way of concern to them.

We recognise a number of trade unions at an operating company level. We also have employee forums at a Group and operating company level for communication and consultation.

A diverse workforce adds clear value for our employees, customers, shareholders and the communities we serve and we fully support the principle of equal opportunity for all. You can read more about our work on diversity on page 32.

Key priorities, as we look to implement our new strategy, are identifying and developing leadership talent at all levels and succession planning.

Our Disability Access policy is included in our Personnel Policies & Procedures manual. As part of our on-going property and health & safety audits and property maintenance programmes, we seek to provide suitable access and working environments to ensure that we do not discriminate against disabled employees or customers.

Energy Consumption (see page 37 for more details)

	Consumption			GHG Conversion Factor (2013)	GHG Emissions (CO ₂ Equivalent Tonnes)		
	2013	2012	2011		2013	2012	2011
SCOPE 1							
Gas Combustion (Heating at Johnston Press premises)/(kWh)	14,010,678	18,356,896	16,931,709	0.18	2,579	3,378	3,116
Oil Combustion (Heating at Johnston Press premises)/(litres)	30,719	52,483	60,822	2.93	90	154	178
Refrigerant gas loss (All Johnston Press premises)/(kg)	-	-	-	0.00	-	-	-
Commercial Vehicles (All Johnston Press vehicles)/(km)	9,912,779	11,379,454	12,354,327	0.25	2,487	2,855	3,100
Total SCOPE 1	23,954,176	29,788,833	29,346,858		5,156	6,387	6,394
Pages Printed (Millions)					25	35	50
Total SCOPE 1 – Per Million Pages Printed					206.2	182.5	127.9
SCOPE 2							
Generation of Grid electricity used	23,843,802	32,398,262	39,029,230	0.45	10,622	14,433	17,387
Total SCOPE 2	23,843,802	32,398,262	39,029,230		10,622	14,433	17,387
Pages Printed (Millions)					25	35	50
Total SCOPE 2 – Per Million Pages Printed					424.9	412.4	347.8
SCOPE 3							
Business travel (Road not including Company vehicles)/(km)	5,190,402	5,797,966	6,718,664	0.20	1,064	1,188	1,377
Business travel (Air)/(km)	689,003	1,307,052	1,413,348	0.17	119	226	244
Business travel (Rail)/(km)	2,299,842	2,427,897	1,857,793	0.05	113	119	91
Electricity for contracted printing (Generation transmission and distribution)/(kWh)	2,215,697	2,154,992	2,486,705	0.45	987	960	1,108
Gas for contracted printing/(kWh)	516,158	502,016	579,290	0.18	95	92	107
Total SCOPE 3	10,911,102	12,189,923	13,055,800		2,378	2,585	2,927
Pages Printed (Millions)					25	35	50
Total SCOPE 3 – Per Million Pages Printed					95.1	73.9	58.5
Overall Total SCOPE 1,2 and 3	58,709,080	74,377,018	81,431,888		18,156	23,405	26,708
Pages Printed (Millions)					25	35	50
Overall Total SCOPE 1,2 and 3 per million pages printed					726.2	668.8	534.2

Notes:

1. Scope 1 covers the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which Johnston Press is responsible. This means emissions from sources that are under the operational control of the company.
2. Scope 2 covers the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity by Johnston Press for its own use. In line with the latest guidance from Defra emissions from the generation of electricity used are included in Scope 2, whilst emissions associated with the transmission and distribution of electricity used are included in Scope 3.
3. Scope 3 covers other indirect greenhouse gas emissions, i.e. where the emissions are from sources that are not owned by Johnston Press and where the company does not have operational control.
4. UK Government Conversion Factors for Company Reporting have been used throughout.
5. Greenhouse gas emissions associated with electricity consumption have been restated for previous years to account for material changes to the conversion factors provided by the government for company reporting purposes.
6. All numbers in italics are based on un-audited data provided by contributors.

Corporate Social Responsibility (continued)

Environmental Policy

Our environmental policy aims to ensure that every aspect of our activity is conducted in accordance with sound environmental practices. We aim to ensure that we continually minimise the environmental impact of our activities.

Energy and Climate Change

Johnston Press has consistently reduced the energy consumption from its operations in recent years and this remains a priority for the Group.

The reduction in the Group's overall energy usage is due, in part, to further consolidation of the business premises together with a number of energy efficiency incentives coming to fruition. Following the success of lighting updates at our Dinnington print works, the same approach is planned to be rolled out at our Portsmouth plant. The Group is also installing Automatic Meter Reading (AMR) systems for gas throughout all premises, which will enable more accurate monitoring and eliminate estimated readings. The further reductions resulting from such changes in the Group's energy usage will help to reduce the amount of Climate Change Levy (CCL) that we pay as part of the Carbon Reduction Commitment (CRC). This scheme allows our energy-intensive sites to make energy efficiency improvements in exchange for discounts from the levy. We have operated under the CRC Energy Efficiency Scheme since its inception. The scheme requires participants to purchase allowances to cover the carbon dioxide emissions associated with their energy use. The scheme is moving to Phase 2 (for which we have registered), which will see monitoring, reporting and compliance over five years.

Farewell to an Unknown Hero

The story saw unique users rise by a staggering 1,200% across the week on the Lytham St Annes Express website – an increase from 3,164 to 42,037 (2012 vs 2013).

The important role our news titles still play in the heart of the communities they serve could not have been better typified than by the story of RAF veteran Harold Jellicoe Percival, covered by The Gazette in Blackpool.

The 99-year-old bachelor's death notice first appeared in the Lytham St Annes Express in November, reporting he had no immediate family to attend his funeral. After this was picked up by sister paper The Gazette in Blackpool – and posted on Twitter – there was an explosion of sympathy and global interest.

More than 500 people turned up, together with the world's media. The story and The Gazette even featured on NBC Nightly News in the US.

Web hits soared and footage of the funeral was the most popular across JP's websites that week.

Print, online and social networks worked as one to deliver the news and The Fylde coast showed its true colours by not letting down a brave man in his final hour of need.

Story

13,106
unique users

14,119
page Views

Video

8,499
unique users

11,164
page Views

A fitting farewell to old soldier Harold Jellicoe Percival

Paper Supply and Waste Management

Johnston Press buys paper from sustainable sources and 95% of our supply currently comes from UK paper mills that use only 100% recycled fibre in the production of newsprint. Where possible, we seek to utilise UK sources of paper and where we are able to do so this helps to keep our carbon footprint down by not importing paper, supports businesses and helps to ensure we are above the 70% target set by the government and newspaper industry for recycled content for newsprint.

We are represented on the Newsprint Materials Industry Committee (NIMC) – part of the Newspaper Publishers Association – which is there to self-regulate the way the industry manages waste and any related processes for materials we use in the production of newspapers. The NIMC lobbies government on environmental issues and has been successful at setting and achieving targets for waste and fibre content.

All our newsprint waste is returned to paper mills in the UK to be reused in the manufacture of papers and the industry cooperates to achieve targets which are agreed with the Government. In 2012, 78.9% of British newsprint was produced from recycled fibre. The Group adheres to the requirements of the Producer Responsibility Obligations Regulations 1997.

Both paper and non-paper waste is segregated into over 20 different streams to maximise their recycling potential and the Group operates in long-standing partnerships with industry leading environmental services companies. Non-paper based waste from printing presses is separated and collected for recycling in line with the Environmental Protection Act and Hazardous Waste Regulations. This process is audited by industry specialists and ISO 14001 accredited and carried out by our partners. Around 90% of all material collected is recycled and re-used in the manufacture of a diverse range of products.

Dell remains the Group's principal supplier of IT equipment and we work with them to provide disposal channels for redundant IT equipment.

Consumption of Energy

Overall, we saw a reduction in consumption of gas by 23.7% and electricity by 26.4% – a continuation of the pattern of reduction that we have seen in recent years. While the challenge to continue to make improvements will increase, we remain committed to make further reductions in energy use wherever we can. The consumption of energy by the Group is shown in the table on page 35. The Group is continuing to develop its carbon emissions reporting and in particular to ensure that accurate data can be provided from relevant third parties to continually improve the depth and quality of the environmental information which it can provide.

The Red Arrows wowed the crowd at the Sunderland International Airshow

The Group established its Carbon Footprint Taskforce in 2008 and it was instrumental in developing our environment policy. Its original remit included the promotion of energy efficiency and recycling and agreeing measurement standards for environmental issues. The targets set by the Taskforce for reducing energy consumption required a reduction of 10% against 2011 levels by the end of 2013. We were pleased to report that these were achieved after strong performances in 2012 and 2013. It is proposed that the Taskforce will be re-launched in 2014 after a review of its future role.

Corporate Social Responsibility (continued)

Health & Safety

With the continued focus on our rigorous health and safety management and reporting processes, 2013 has been the best year on record for the Group.

For the third year running we have reduced the number of accidents – by 42% year-on-year – and have also achieved lengthy periods without any reportable accidents.

Our publishing sites achieved nine months without any 'lost time' accidents and our print sites have, to date, not had a 'lost time' accident since January 2012.

Our environment working charter has improved working conditions and general work areas and this has also played a part in achieving such impressive accident statistics.

We believe that our focus on addressing the causes of accidents – and our insistence on adhering to best practice and procedures – has played a significant part in our improved performance in recent years. Although we are proud of this achievement, our work will continue to ensure every effort is made to maintain this record. Each Group company has a Health & Safety Committee, chaired by its publishing unit's Managing Director – who ensures all actions are completed. This is monitored by the Group Health and Safety Manager.

In addition, we have a Group Health & Safety Committee made up of representatives from key areas across the business. The Committee, in conjunction with the Group Health and Safety Manager, instructs and reviews audit visits, monitors compliance with Group policies, ensures those policies are kept up to date and encourages best practice.

The Group Health and Safety Manager has, again, coordinated independent audits of all our main sites. He works closely with each of these sites to maintain the strong links with site health and safety officers and this, once again, has helped all sites to improve their scores in our rolling programme of internal audit inspections.

Our consistent reporting processes have now been in place for more than nine years, allowing performance over time to be measured. Ensuring that every accident is reported is a key part of our control environment.

Approval

This strategic report was approved by the Board of Directors on 28 March 2014 and signed on its behalf by:



Ian Russell
Chairman
28 March 2014

	2013	2012	2011	2010	2009
Average FTE	4,188	4,581	5,102	5,502	6,146
No of employees involved in accidents	70	120	152	252	273
Publishing	1.3%	2.0%	2.50%	3.50%	3.20%
Printing	6.8%	12.8%	8.10%	17%	15.70%
Total	1.7%	2.6%	3.00%	4.60%	4.40%
Employees with RIDDOR*	1	6	18	33	30
Publishing	0.03%	0.10%	0.28%	0.40%	0.30%
Printing	0.00%	0.00%	1.01%	2.70%	1.90%
Total	0.02%	0.10%	0.35%	0.60%	0.50%
Total Working Days Lost	10	35	212	533	881

* RIDDOR is the reporting of injuries, diseases, and dangerous occurrences.

Chairman's Introduction to Corporate Governance

Throughout 2013 your Board provided leadership to Johnston Press during a period of continued change.

This report forms part of the Directors' Report which can be found on pages 39 to 72. The Company has continued in its commitment to comply with the principles of the 2012 UK Corporate Governance Code (the 'Code') as published by the Financial Reporting Council (<https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-September-2012.pdf>). The 2012 edition of the Code applies for financial years starting on or after 1 October 2012 and introduced additional reporting requirements for premium listed companies. It is the Board's view that throughout the period ended 28 December 2013 the Company has been fully compliant with the relevant main and supporting principles set out in the Code. The Board and Executive Management monitor compliance with the Code and details of the Group's internal controls can be found on pages 47 to 48.

Throughout 2013 your Board provided leadership to Johnston Press during a period of continued change. Our focus has very much been on key strategic topics and the risks associated with them as we seek to transform both the Company and its provision of local media. This report on corporate governance is intended to give shareholders some detail of the structures which the Company has operated under in the past year. We remain committed to the principles of good governance and, as a Board, seek to regularly review not only the effectiveness of our Board and committees, but also the wider corporate governance framework within which we operate. We do so with the aim of ensuring that the Group as a whole is managed effectively and transparently. The report which follows provides more detail of the workings of the Board, including the matters reserved to it and to the evaluation process which we use to review (and where necessary improve) its effectiveness.

The reporting environment has changed considerably this year and, for the first time, a report on our remuneration policy will be put to shareholders at the forthcoming annual general meeting. The new requirements also mean that we have changed some of the information which we report, including a single figure for the remuneration of our Directors. You can find details of remuneration policy, and our implementation of it in the Directors' Remuneration Report on pages 49 to 67.

The Board's governance structure places a key role on the Audit Committee in monitoring the Group's systems of internal controls and risk framework. A separate report on the work of the Audit Committee, including new disclosures introduced this year, can be found on pages 47 to 48.

We seek to ensure that the Board has an appropriate mix of skills and experience and this consideration is foremost when recruiting new Directors to join us. This is also a key measure in ensuring that our governance structures remain appropriate for the Group. More broadly, the Group tries to reflect the communities in which we work and to have regard to the benefits of a diverse workforce and details of this, and many of our other community and social initiatives can be found in the Corporate Social Responsibility Report on pages 32-38.



Ian Russell
Chairman
28 March 2014

Board of Directors

	Ian Russell, CBE Chairman	Ashley Highfield Chief Executive Officer	David King Chief Financial Officer	Mark Pain Non-Executive
Biography	A Chartered Accountant, Ian was previously the Chief Executive of Scottish Power following a career in finance with HSBC, Mars Limited and KPMG.	Ashley was previously Vice President of Microsoft, Director of New Media and Technology at the BBC (where he oversaw the launch of the iPlayer) and Managing Director of Flextech (now Virgin Media) Interactive.	David is a Chartered Accountant. Previously he was CEO of Time Out Group and Chief Financial Officer at BBC Worldwide.	Mark is a Chartered Accountant and former Group Finance Director at Barrett Developments plc and Abbey National Group plc.
Term of Office	Joined the Board in 2007.	Joined the Board in November 2011.	Joined the Board in June 2013.	Joined the Board in 2009.
Independent	Not applicable.	Not applicable.	Not applicable.	Yes.
External Appointments	Chairman of Remploy Ltd. Non-Executive Director of British Polythene Industries plc, the Mercantile Trust plc, British Assets plc and HICL Infrastructure Company Limited, adviser to Clyde Bergemann Power Group.	Non-Executive Director of William Hill plc and Governor of the British Film Institute.	Trustee of Reach to Teach.	Non-Executive Director of Spirit Pub Company plc, Yorkshire Building Society, Aviva Insurance Limited (a subsidiary of Aviva Group) and Chairman of London Square plc.
Committee Membership and Other Roles	Chairman of the Nomination Committee.	Not applicable.	Not applicable.	Senior Independent Director, Chairman of the Audit Committee and member of the Nomination and Remuneration Committees.

Ralph Marshall
Non-Executive

Camilla Rhodes
Non-Executive

Stephen van Rooyen
Non-Executive

Kjell Aamot
Non-Executive

Peter McCall
Company Secretary

Ralph is an Executive Director of Usaha Tegas Sdn. Bhd, the largest shareholder in Johnston Press plc.

Camilla was the former Chief Executive Officer of News Magazines Ltd and Managing Director of Times Newspapers and News Group Newspapers, News International.

Stephen has held a number of senior roles at Sky since joining in 2006, most recently Managing Director, Sales and Marketing. He was previously Director of Strategy at Virgin Media and has also worked at News International and Accenture in both Australia and the UK.

Kjell was formerly the Chief Executive Officer of Schibsted ASA, the largest Scandinavian newspaper publisher.

Peter joined Johnston Press plc as Company Secretary and Corporate Counsel in 2009. Previously Company Secretary of Kenmore Property Group Ltd and Deputy Company Secretary of British Energy Group plc.

Joined the Board in 2008.

Joined the Board in 2009.

Joined the Board in 2013.

Joined the Board in 2010.

Not applicable.

No.

Yes.

Yes.

Yes.

Not applicable.

Serves on the Boards of several companies including Astro All Asia Networks plc as Executive Deputy Chairman, KLCC REIT Management Sdn. Bhd and others which are listed on the Bursa Malaysia Securities Berhad.

No other appointments held.

No other appointments held.

Non-Executive Member of the Board of PubliGroupe (Switzerland) and advisor to FSN Capital (Norway).

No external appointments held.

Member of the Nomination Committee.

Member of the Nomination and Audit Committees. Chair of the Remuneration Committee from the end of the Company's AGM in April 2013.

Member of the Remuneration Committee and the Nomination Committee.

Member of the Audit and Nomination Committees.

Secretary to the Audit, Nomination and Remuneration Committees.

Corporate Governance

The Role of the Board

The Board, in its commitment to effectively operating and leading the Company held ten Board meetings this year. Where necessary, the Chairman meets privately with the Non-Executive Directors before each scheduled Board meeting. If unable to attend a meeting, Directors are encouraged to give their views and comments on matters to be discussed to the Chairman in advance. Attendance at meetings throughout the year by each of the Directors is shown below. All Directors are encouraged to share the benefit of their knowledge and experience and the Board's evaluation process assesses their contribution each year.

Throughout the year the Board has played a key role in monitoring and evaluating the development of the Strategy first set out in 2012. The Company's business model is described on pages 10 to 11. The Board reviews the performance of management in meeting the agreed objectives and goals and monitors appropriate remuneration levels. The Group's management development and succession plans are scrutinised by the Board to ensure that the skills and competencies of management correspond to the Group's requirements. 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.

The Board's primary task is to ensure that the Company and its wider Group of subsidiaries have sufficient financial resources and talent in order to meet its core objectives by:

- Reviewing and approving the overall Group strategy and direction;
- approving of the financial statements, as well as revenue and capital budgets;
- setting, implementing and maintaining audit processes and risk management policies, to ensure the effective operation of the Company;
- the approval of material agreements and projects; and
- reviewing and approving of remuneration policies.

In addition to the normal agenda at Board meetings, which is described below, the Directors usually consider one or more operational or special topics at each meeting. During the last 12 months such topics have included:

- Business risks;
- circulation and audience reach of paid-for newspapers;
- advertising revenues;
- national advertising;
- digital revenues and publishing;
- talent and human resource requirements;
- the Group's finance facilities;
- new product offers; and
- presentations from the Group's Publishing Unit Managing Directors and heads of revenue generating units in relation to new business initiatives.

Board members also have respective commitments in the Remuneration Committee, the Audit Committee and the Nomination Committee. This year there were eight scheduled meetings of the Remuneration Committee, four meetings of the Audit Committee and the Nomination Committee held two meetings.

Board attendance

The following table indicates their attendance during the year:

Scheduled meetings	Board (10)	Remuneration Committee (8)	Audit Committee (4)	Nomination Committee (2)
Ian Russell	10	–	–	2
Ashley Highfield	10	–	–	–
Grant Murray ¹	3	–	–	–
Danny Cammiade ²	2	–	–	–
Mark Pain	10	8	4	2
Ralph Marshall ³	9	–	–	2
Camilla Rhodes	10	8	4	2
Geoff Iddison ⁴	4	2	–	1
Kjell Aamot ⁵	9	–	2	1
David King ⁶	6	–	–	–
Stephen van Rooyen ⁷	5	4	–	1

1. Grant Murray resigned on 14 May 2013. He attended all meetings prior to his resignation.

2. Danny Cammiade resigned on 31 March 2013. He attended all meetings prior to his resignation.

3. Ralph Marshall was unable to attend one Board meeting arranged at short notice due to a prior business commitment.

4. Geoff Iddison resigned on 30 June 2013, and he stepped down from the Remuneration Committee on 25 April 2013. He attended all meetings prior to his resignation.

5. Kjell Aamot was unable to attend one Board meeting and one Audit Committee meeting due to a family bereavement and one Audit Committee and one Nomination Committee meeting due to a prior business commitment.

6. David King was appointed on 1 June 2013.

7. Stephen van Rooyen was appointed on 1 June 2013. He was unable to attend the first Board and Remuneration Committee meetings after his appointment due to conflicting business commitments.

During the year, the Company kept the membership of the Board and committees under review. The Company believe that the current mix of individuals is right and that the committees are working well. The following changes to the Board occurred during the year:

Grant Murray resigned as Chief Finance Officer on 14 May 2013 and David King was appointed as the Company's new Chief Finance Officer with effect from 1 June 2013. Stephen Van Rooyen joined the Board as a Non-Executive Director on 1 June 2013. Geoff Iddison stepped down as a Non-Executive Director on 30 June 2013.

Board Responsibilities

The Board maintains a formal schedule of matters specifically reserved to it for discussion and decision making, including future strategy, acquisitions and disposals, dividend policy, approval of the Annual Report and Accounts, capital expenditure in excess of certain limits, trading and capital budgets and Group borrowing facilities. At each meeting during the year, the Board considered reports from the Chief Executive Officer, Chief Financial Officer, Group Commercial and Marketing Director and the Director of Digital and Business Development. The Minutes of Board and committee meetings are circulated to all Board members. The Company Secretary is responsible to the Board for the timeliness and quality of information provided to it. Day-to-day management of the Group, including implementation of strategy and operational decisions relating to digital and print publishing, online products, printing and human resources are delegated to management. The Executive Management Committee, consisting of the Executive Directors and other senior managers from across the Group meets weekly to review performance and consider operational issues.

The Board acknowledges the division of responsibilities for running the Board and managing the Company's business. Ian Russell served as Non-Executive Chairman throughout the year. The Chairman is responsible for the leadership of the Board, for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues as well as ensuring effective communication with shareholders. It is also primarily his responsibility to promote a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensuring constructive relations between Executive and Non-Executive Directors.

As part of their role, Non-Executive Directors constructively challenge and help develop proposals on strategy. In addition to at least one Board meeting each year being dedicated to strategy, key strategic objectives are reported to the Board in the executive reports which they receive, and they are given regular reports and presentations on key strategic initiatives and issues. They also scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. Management reports to the Board address performance against a number of key strategic objectives and these, together with reports from the Chief Executive Officer, Chief Financial Officer, Digital and Business Development Director and Commercial Marketing Director are scrutinised at the Board's meetings. They satisfy themselves on the integrity of financial information and that controls and systems of risk management are robust and defensible. The work and reports of the Audit Committee are used to assist the Board in this process. Through the Remuneration Committee they are responsible for determining appropriate levels of remuneration of Executive Directors and have a prime role in appointing and, where necessary, removing, Executive Directors and in succession planning.

Corporate Governance (continued)

Mark Pain served as Senior Independent Director throughout 2013. The Senior Independent Director is available to address any concerns that shareholders may have that have not been resolved through the normal communication channels of the Chairman or Executive Directors. Throughout 2013, the Nomination Committee was chaired by Ian Russell, and the Audit Committee by Mark Pain. The Remuneration Committee was chaired by Geoff Iddison until he stepped down from that role at the Group's Annual General Meeting on 26 April and thereafter it was chaired by Camilla Rhodes. The terms of reference of each of the Board's Committees were reviewed by the Board during 2013 and the terms are displayed on the Company's website. Membership of each Committee is detailed with the Directors' biographies on pages 40 and 41.

Board Balance and Independence

Of the Company's current eight Directors, two are Executive and the remainder Non-Executive, of whom four (Mark Pain, Camilla Rhodes, Kjell Aarnot and Stephen van Rooyen) are regarded as independent. Throughout the year, the Company complied with the requirement of the United Kingdom Corporate Governance Code (the 'Code') that at least half of the Board (excluding the Chairman) should consist of independent Non-Executive Directors. Ralph Marshall was appointed to the Board as the nominee Director of Usaha Tegas which owns just under 20% of the Company's issued ordinary share capital. He is therefore not regarded as independent. Details of each Director are provided on pages 40 and 41.

Board Committees

The reports of the Audit Committee and the Remuneration Committee can be found on pages 47 to 48 and 49 to 67 respectively.

Nomination Committee

Reporting to the Board, the Committee's duties include regularly reviewing the structure, size and composition of the Board, seeking suitably skilled and experienced candidates as Non-Executive Directors with sufficient time to devote to the role, and overseeing all Board appointments. In doing so the Committee also considers the Company's succession planning for Executive Directors and senior managers, to ensure that adequate plans are in place to protect against the loss of key staff, as well as reviewing the composition of the Board and its committees. In considering candidates to fill Board vacancies, the Nomination Committee has regard to the benefits of, and the need to encourage, diversity within the Board's membership and this is a specific consideration of the recruitment process and is included in the Committee's terms of reference. Once the role of a vacancy has been determined, the Committee may appoint external recruitment consultants to assist with the search who must also consider diversity in identifying suitable candidates. External recruitment consultants engaged for this purpose have no other connection with the Company. The Committee intends to review the Company's diversity policy during 2014. The Company Secretary acts as secretary to the Committee.

Induction and Professional Development

The Company has a detailed induction programme for new Directors. This is tailored to specific requirements and includes visits to a range of the Group's operations where appropriate and meetings and discussions with senior management and advisers, together with the provision of the Company's written induction guide.

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 assistance of the Company Secretary is available to all Directors for all matters connected to their duties.

Directors receive regular reports from executive management and a monthly finance report from the Chief Financial Officer together with management accounts. They are also sent regular updates on industry-related issues.

Training

Director training is undertaken as required during the year including industry specific governance and technical issues. It is the Company's policy that each Non-Executive Director visits at least two of the Group's centres each year where they receive a presentation and a tour of the business. Individual Directors also attend a range of seminars presented by professionals throughout the year. When the Non-Executive Directors meet without the Executive Directors present, the balance of skills on the Board (including training needs) is one of the standard topics for the Board to consider, both individually and collectively.

Board Performance Evaluation

During the last year, the Board has conducted a rigorous evaluation of its own performance and that of each of its Committees. This involved the completion of a self-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. The composition and chairmanship of each Committee was reviewed together with its fulfilment of its role as outlined in its terms of reference, its reporting and overall performance.

The topics which the evaluation exercise addressed were intended to provide the Board with an analysis of the performance of its key duties. The process has been developed internally and is administered by the Company Secretary. The process that the Company deploys utilises a scoring system for assessing Committee and Board performance with a focus on the particular skills and contributions of individuals. All respondents are requested to provide a written assessment of performance. The Company Secretary prepared a report of the conclusions which was presented to the Board together with a summary of any individual recommendations for the consideration of the Chairman. This was followed up by meetings between the Chairman and individual Directors.

The results of the evaluation process highlighted areas of particular focus for the Board in the coming year and these are being used to assist in the planning of the Board's business. Although specific areas were identified for change, overall the process was positive and confirmed the effectiveness of the Board and relevant Committees as well as the contributions of individual Directors. Under the provisions of the Code, evaluation of the boards of FTSE 350 companies (which does not include the Company therefore compliance with this provision is not required) should be conducted externally every three years. The Board previously considered whether to undertake an externally facilitated evaluation during 2012 and concluded that it was not appropriate to do so at that time. However, the position will be reviewed again during 2014.

Corporate Governance (continued)

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, shareholders can request a meeting with the Chief Executive Officer and Chief Financial Officer throughout the year to highlight any significant concerns.

The Chairman personally contacts the leading shareholders in the Company on an annual basis to address any concerns and discuss any issues. The Board receive a report with regard to any discussion with shareholders and also have circulated to them the written feedback that follows full year and the half-year results presentations. Brokers' reports and analysts' briefings, when available, are included in the Board papers sent to the Directors in advance of meetings. 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 offer to meet with institutional shareholders to consider Corporate Governance matters. All the Non-Executive Directors are prepared to meet with shareholders to understand their views more fully or to address concerns.

Annual General Meeting

The Board seeks to encourage shareholders to attend its Annual General Meeting. It is the policy of the Board that all Directors should attend the Annual General Meeting and be available to answer shareholders' questions unless unable to do so. The Company uses the Annual General Meeting to communicate with private investors and encourages their participation. All Directors attended the Annual General Meeting in 2013. In 2013, the notice of the Annual General Meeting and related papers were sent to shareholders 20 days before the meeting.

Share Capital

Information on the Company's share capital is provided in Note 27 of the financial statements.

Board Re-election

Under the provisions of the Company's Articles of Association, all Directors are subject to election at the first Annual General Meeting after their appointment and thereafter to re-election every three years. The Company is not currently a member of the FTSE 350 index of companies and is therefore not required to comply with the provision of the Code which requires all directors of companies in that index to be subject to annual re-election. However, the Board considers that it is appropriate that all Directors who wish to continue in office stand for annual re-election (as they did in 2013), and accordingly the Board has recommended that resolutions will be proposed at the forthcoming Annual General Meeting for the re-election of all of the current Directors (who have all indicated that they wish to continue in office). The Nomination Committee have, following the formal evaluation process described above, considered the performance of each of those Directors who wish to stand for re-election at the 2013 Annual General Meeting and are satisfied that those individuals' performance continue to be effective and that they have demonstrated a clear commitment to their roles.

Separately during the course of the year, the Non-Executive Directors met without Ian Russell to review his performance as Chairman and were satisfied that he continues to provide the necessary leadership and effectiveness for the role and has demonstrated an on-going commitment to it.

Financial Reporting

The Board is committed 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.

Internal Control

The Board has applied principle C.2 of the 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 Code, the Board regularly reviews the effectiveness of the Group's risk management and system of internal control. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management and is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses or emerging issues are promptly remedied or 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 Finance Department. The Audit Committee assists the Board (which maintains responsibility in this regard) in discharging its review responsibilities.

Corporate Governance (continued)

During the course of its review of the system of internal control, the Board has not identified or 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 on-going continuous process during the period under review have been:

- Formal Board reporting on a monthly basis of the Group's performance and on any emerging risks and issues. The monthly management accounts break down the results of the Group's operations into its two reportable segments. 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 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 follow issues are amongst those reserved to the Board:
 - Formal Board approval for capital expenditure over £500,000 and for other investment decisions.
 - 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 departments' future strategy as part of the operational topics considered at Board meetings during the year.
 - Review by the Audit Committee (with subsequent reporting to the Board) on a six-monthly basis of the work performed by the Finance Department with respect to internal financial controls, the programme for which is agreed in advance. The Finance Department is also responsible for the review of detailed financial control checklists submitted monthly by each operation to the Group's head office. This work is 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.

During 2013 the Company undertook an externally facilitated review of its risk management including an assessment of its key risks and the systems of assessing and monitoring them. The Group's key risks are regularly considered by the Executive Management Committee and members of that Committee have responsibility for individual risks. The Board are provided with regular updates in respect of these. The Audit Committee has an oversight and monitoring role in relation to risk management and reviews the form of internal controls which the Company operates. It reports its findings to the Board on a regular basis following its meetings. The Board maintains ultimate responsibility for the monitoring and management of risk throughout the Group. Due to the changing nature of the Group and in order to ensure that resources are properly deployed to identify, monitor and mitigate risk, it has concluded that a dedicated internal audit function should be created, the form of which shall be determined and the appointment made by, the Audit Committee, with a recommendation being made by the Executive Directors. It is anticipated that the new internal audit structure will be in place by no later than the end of the first half of 2014.

Steps are taken on an on-going basis to embed best practice into all the Group's operations and to deal with areas of improvement which come to management's and the Board's attention.

In addition, senior management set policies, procedures and standards as detailed in the Group's policy guidelines. These are reviewed and revised on an annual basis and tailored versions have been issued to the businesses in the specific locations where applicable.

The guidelines include policies on:

- Finance including cash/treasury controls and 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; and
- business continuity.

A key governance requirement of the Group's financial statements is for the report and accounts to be fair, balanced and understandable.

The preparation of the Annual Report and Accounts requires the co-ordination of information from throughout the Group to a demanding timetable which runs in parallel with the formal audit process undertaken by Deloitte LLP. The report has been prepared by the Company's management and then reviewed by the Audit Committee and subsequently the Board. In order to provide comfort to the Audit Committee and the Board, contributors to the report have been provided with guidance as to the requirements on the Company. The content of the report is subject to a verification exercise and to review by senior management. The Board has reviewed the Annual Report and Accounts and the reports of management regarding its preparation and believes that the explanation and disclosures set out on pages 1 to 38 provide the information necessary for shareholders to assess the Company's performance, business model and strategy. Accordingly, having taken all matters considered by the Board and brought to its attention during the year into account, each of the Directors considers that the Annual Report taken as a whole is fair, balanced and understandable and provides shareholders with the requisite information for evaluating the performance and current strategy of the Company.

Report of the Audit Committee

The Role of the Audit Committee

The Audit Committee is appointed by the Board from the Non-Executive Directors of the Company. The Audit Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the Code. The terms of reference are considered annually by the Audit Committee and are approved by the Board. A copy of the current terms of reference is available on the Company's website.

The Audit Committee is responsible for:

- Monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the effectiveness of the Group's internal financial controls and the Group's internal control and risk management systems and making proposals to the Board as to the need, or otherwise, for changes to those systems;
- making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meeting, on the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- reviewing (with subsequent reporting to the Board) of the conclusions of the Group's external auditor in its annual audit and review of the half-year results. These reviews include discussion of any control weaknesses or issues identified by the auditors;
- developing and implementing the Group's policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding provision of non-audit services by the external audit firm;
- reviewing the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other areas; and
- monitoring the risk assessment process involving all senior managers of the Group's businesses in addition to the Executive Directors. A risk matrix is reviewed on a regular basis throughout the year by both the local operations and senior management. Risks are examined at regular executive meetings both locally and at Group level. These risk assessment sessions are held at each operation and will evaluate and address the risks identified. The results of these assessments are addressed in the Executive Directors' reports to the Board. During 2013, senior management considered Group strategy, customer care metrics, talent, newsprint, banking covenants, national advertising sales, revenue growth and digital strategy, management resources, newspaper sales and property.

The Audit Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed and making recommendations on the steps to be taken. The Committee's Terms of Reference permit it to oversee the selection process for appointing new auditors should it determine, or it becomes necessary, to do so.

Composition of the Audit Committee

The Audit Committee is chaired by Mark Pain, a Chartered Accountant, who is considered by the Board to have recent and relevant financial experience and expertise for that role, and fulfils the requirement that the Committee includes at least one financially qualified member. All Audit Committee members are expected to be financially literate. Camilla Rhodes and Kjell Aamot, both of whom hold or have previously held board and/or executive management level posts in major media organisations, are also members. Details of each Director can be found on pages 40 and 41.

Membership of the Committee is reviewed at regular intervals by the Chairman of the Committee and the Chairman of the Board, who is not a member of the Audit Committee. The Committee is normally comprised of three independent Non-Executive Directors.

Meetings

The Audit Committee is required to meet not less than three times per year and has an agenda linked to events in the Group's financial calendar. The agenda is predominantly cyclical and is therefore approved by the Audit Committee Chairman on behalf of his fellow members. Each Audit Committee member has the right to require reports on matters of interest in addition to the cyclical items.

The Audit Committee meetings are attended by the Chief Financial Officer and the Group Head of Finance at the invitation of the Committee and by the Company Secretary, who acts as Secretary to the Committee, with minutes being circulated to all Board members. The Chairman and Chief Executive Officer are also invited to attend if required to do so by the Committee. Towards the close of relevant meetings, all Executives leave in order for the Committee to have appropriate discussion with the external auditor. The Audit Committee Chairman also has one or more private meetings with the external audit partner during the course of the year to discuss any relevant issues.

The Committee meets once during the year with the Company's external auditor to discuss and agree the audit programme for the forthcoming year, together with any proposed non-audit work. Any significant non-audit work by the auditor is approved by the Committee in advance of any engagement letter being signed.

Overview of the Actions Taken by the Audit Committee to Discharge its Duties

Two of the scheduled meetings in 2013 followed the year-end audit and one followed the interim review. Two of the meetings during 2013 considered reports on the Group's system of internal controls. These, together with the proposed changes to the system, are described in the Internal Control section.

A fourth meeting took place in October 2013 where the Committee carried out a review of the Group's key business risks and amendments to its system of reviewing and monitoring risk. The Committee is actively involved in the ongoing review of risk and internal controls by the main Board. For additional information see the section on Internal Control on page 45.

Report of the Audit Committee (continued)

In considering the financial statements for the period ended 28 December 2013, the following significant issues were addressed:

- Consideration of going concern and covenant compliance;
- consideration of impairment of publishing titles and print presses;
- actuarial valuations underlying the pension provisioning; and
- presentation of exceptional items.

Other matters considered included trade debtors provisioning, hedging, borrowings, digital revenue recognition, other intangible assets, consideration of assets held for sale, property related provisions, taxation and potential post balance sheet events.

External Auditor

At the meeting to review the Annual Report and Accounts, the Committee formally considers the non-audit services provided by the Group's external auditor and the effectiveness of the audit process. It is the Company's policy that any non-audit work to be performed by the auditor, where fees on a cumulative basis exceed £50,000 in any financial year, must be approved by the Audit Committee. The Group's policy requires that services and/or advice that requires auditing is not undertaken by the external auditor. If non-audit fees for a financial year exceed the audit related fees for a year, then Board approval must be given.

To assess the effectiveness of the external auditor, the Audit Committee reviewed the:

- Arrangements for ensuring the external auditor's independence and objectivity;
- external auditor's fulfilment of the agreed audit plan and any variations from the plan;
- robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and
- content of the external auditor's reporting on internal control.

During 2013 the Company has used several professional firms for different projects. The Republic of Ireland taxation compliance and advisory work was undertaken by a professional firm other than the Group's auditor.

The Committee oversaw the appointment of Deloitte LLP in 2002 and has a primary responsibility for the appointment, re-appointment and removal of auditor. The Committee conducted an evaluation of the effectiveness of the external audit process as part of its work during the year. The Committee reviewed the auditor's plan for the year, noting the role of the senior statutory audit partner and key audit staff, the arrangements for day-to-day management of the audit, if there were any conflicts of interest and the extent of non-audit services provided by the auditor. Non-audit related services provided in 2013 consisted of taxation compliance services, other taxation advisory services and pension scheme audit services with total fees of £153,000 (see Note 8). The advice was provided by partners and staff who had no involvement in the audit of the financial statements. The Committee is satisfied that the objectivity and independence of the external audit is safeguarded. The Committee has considered the likelihood of a withdrawal of the external auditor from the market and noted that there are no contractual obligations to restrict the choice of external auditor.

The Committee has recommended to the Board the re-appointment of the external auditor. On the recommendation of the Audit Committee, the Directors will be proposing the re-appointment of Deloitte LLP at the Annual General Meeting in 2014. In making that recommendation, the Committee considered the performance of the external auditor in previous years and took account of their knowledge of the Group and of the fact that the Group remains in a considerable period of change, through which continuity of auditor was felt to be important. The audit partner rotated at the commencement of the 2012 interim review and will continue to rotate every five years, subject to Deloitte LLP's ongoing appointment. The Company has no current plans to retender the contract for audit services but reserves the right to do so.

Directors' Remuneration Report – Annual Statement

Dear Shareholder

This is my first letter to you since becoming Chair of the Company's Remuneration Committee (the 'Committee') in April 2013. I am pleased to take this opportunity to provide an overview of the Company's remuneration policy and the way it has been implemented during the year under review.

The new regulations governing the disclosure and approval of Directors' remuneration require the remuneration report to be split into three parts: (i) this Annual Statement, (ii) the Remuneration Policy Report which will be subject to a binding shareholder resolution at the forthcoming AGM and (iii) the Annual Report on Remuneration which will be put to an advisory shareholder resolution at the forthcoming AGM.

Performance Outcome for 2013

Johnston Press continued to make good progress during 2013 in the implementation of our strategic growth plans. Against a difficult trading environment, like-for-like underlying operating profit rose from £53.0 million to £54.3 million and this represents an increase of 2.5%; amongst our key areas of focus there was a 19.4% increase in digital revenues and a 5.4% fall in net debt. In the second half of the year our focus has been on ensuring a strong financial base is in place as we continue to adapt the business to the changing environment in which we operate.

In 2013 we made good progress against all our strategic objectives. Aggregate audiences grew, particularly through significant growth in digital audiences. The growth in digital revenues helped to reduce the rate of decline in total revenues. Our cost base has also continued to reduce. Reflecting that progress in the year, annual bonus payouts of 16.67% to 20% of maximum were made to Executive Directors. There were no long-term incentive awards for Executive Directors vesting in 2013 or early 2014 given the relatively short tenure of the current executive team. Overall, the Committee believes that there is a fair link between reward and performance.

Policy for 2014

We are committed to ensuring that rewards for Executive Directors are closely aligned to the interests of shareholders through having all our incentive arrangements linked to challenging performance targets, focused on growing earnings, generating shareholder returns and ensuring the long-term success of the business.

We continue to monitor our remuneration practice to ensure we have the correct alignment with business strategy, Company performance and shareholder interests. The upcoming year is likely to be critical as we seek to refinance the business and implement strategic change.

In light of this, the Committee undertook a comprehensive review of remuneration. The Committee felt that the incentive structure needed revisiting to take account of the critical year ahead, in particular to incentivise the delivery of a strong platform for future growth and to incentivise and more directly align Executive Directors with shareholder returns once that platform has been created. Following consultation with our major shareholders and with their broad agreement, the Committee has decided to:

- Increase the annual bonus potential for 2014 only to 180% for the Chief Executive and 150% for the Chief Financial Officer (from the normal maximum of 120% and 100% of salary).

The normal bonus will be subject to the achievement of stretching EBITDA, Digital Revenue, Audience Growth and Advertisers/Staff Satisfaction targets. The additional bonus opportunity will be payable for achieving significant financial benefits as a result of a successful capital raising that provides a strong platform for future growth. Clear success factors will determine the outcome of this additional bonus opportunity, including, among other things, a significant reduction in the Company's cost of capital. Half of the total bonus earned will be deferred for three years (in line with the Company's normal policy), vesting in March 2018.

- If, in the opinion of the Committee a successful refinancing has been achieved, to incentivise growth during the next phase of the Company's turnaround strategy, it is proposed that Executive Directors and selected members of the senior management team will receive one-off awards in 2014 under a new Value Creation Plan (VCP) instead of the normal Performance Share Plan (PSP). A separate resolution to approve the VCP will be put to shareholders and details are set out in the Remuneration Policy report and the separate Notice of Annual General Meeting.

The awards will take the form of premium priced options which will vest after three years. The value realised for participants will be determined according to the growth in the Company's share price above a hurdle relative to the share price post refinancing. If a successful refinancing is approved and subject to the approval of the VCP, no awards will be granted under the PSP in 2014, save for any matching awards the Chief Executive may receive as part of the terms of his recruitment in 2011.

We are also seeking to suspend the 5% in ten years dilution limit in the existing Performance Share Plan (PSP) and to temporarily increase the all schemes dilution limit contained within the existing PSP and Sharesave from 10% to 13% in ten years to accommodate the VCP. As the intention is to satisfy VCP awards in share appreciation rights which are less dilutive than options, the Company will revert to the 10% in ten years limit within three to five years. Separate resolutions to approve the increased dilution for the PSP and Sharesave schemes will be subject to a shareholder vote at the AGM.

- Increase the shareholding guidelines applying to Executive Directors from 100% of salary to 200% of salary for the Chief Executive and 150% of salary for the Chief Financial Officer. This will provide greater alignment with shareholders.

The Committee firmly believes the above changes to incentive provision are appropriate given the critical next phase in the Company's turnaround and will provide a more direct alignment of interests between management and shareholders.

The Executive Director salaries were due to be reviewed in late 2013 but in light of the proposed refinancing, at the time of writing, the Committee has decided to postpone the review until later in 2014 when the Company's outlook is clearer. Any increase will be disclosed in next year's remuneration report.

Directors' Remuneration Report – Annual Statement (continued)

Shareholder Feedback

In formulating the changes for 2014, the Chairman and I met with many of our leading shareholders and shareholder bodies. The feedback was well received and helped shape the final proposals being presented in this report. We hope you will be able to support the changes to remuneration being made.

The Committee will continue to encourage dialogue with the Company's shareholders and we will consult with major shareholders ahead of any significant future changes to the remuneration policy. We were delighted that the 2012 Remuneration Report received a 93.24% vote in favour. Thank you for your continued support.

Yours sincerely



Camilla Rhodes
Chair of the Remuneration Committee

The Directors' Remuneration Policy Report sets out the remuneration policy operated by the Group in respect of Executive Directors and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Act') and also in accordance with the requirement of the Listing Rules of the Financial Conduct Authority. The policy has been developed taking into account the principles of the UK Corporate Governance Code 2012 and the views of our major shareholders and describes the policy to be applied in relation to the current financial year and future financial years. The Remuneration Policy will be put to a binding shareholder vote at the 2014 Annual General Meeting (AGM) and, given that shareholder approval is being sought for the policy detailed below at our AGM, the 'Effective Date' of the policy will be the date of the AGM, subject to it receiving majority shareholder support.

The Companies Act 2006 requires the auditor to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on Directors' Remuneration that are subject to audit are indicated in that report. The Annual Statement by the Chair of the Remuneration Committee and the Directors' Remuneration Policy Report are not subject to audit.

Directors' Remuneration Policy Report

The Committee's Remuneration Policy aims to attract, motivate and retain Directors of the highest calibre needed to maintain the Group's strong position in its varied markets, to drive the future success of the business and to reward them for delivering long-term value to shareholders.

The Company's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance-related. Executive Directors may earn annual bonus payments together with the benefits of participation in share schemes and these arrangements are described below.

The Committee reviews the performance criteria attached to short and long-term incentives each year and their appropriate mix to ensure that they are aligned with the Company's strategic objectives and future direction.

The Committee has also considered the structure of the Directors' remuneration packages from a risk perspective. It remains satisfied that the packages, which include a base salary, an annual bonus (with a significant element paid in shares, receipt of which is deferred) and long-term incentives, do not encourage inappropriate risk taking. Risk is taken into account when setting the targets under variable incentive schemes. This is done by ensuring that a mix of metrics is used and targets, while stretching, are realistic, attainable, for the long-term benefit of the Company and achievable without taking inappropriate business risks.

In reviewing the remuneration policy, the Committee has the discretion to take into consideration (amongst other factors) corporate performance on Environmental, Social and Governance (ESG) issues. The Committee is satisfied that ESG risks are not raised by the incentive structure through inadvertently motivating irresponsible behaviour.

The next table sets out a summary of each element of the Executive Director's remuneration packages, the policy for how these are operated and their link to the Company's strategy.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Base Salary	<p>To attract and retain high-calibre individuals.</p> <p>Reflects an individual's experience, role and performance.</p>	<p>Salaries are normally reviewed annually or when an individual changes position or responsibility. Any changes as a result of the annual salary review normally take effect from 1 April. The Committee reserves the right to review salaries at other times if/when appropriate.</p> <p>In deciding appropriate levels, the Committee takes into account:</p> <ul style="list-style-type: none"> • The commercial need to do so; • the market rates for similar positions in companies of comparable size and complexity and appropriate media companies; • the role, experience responsibility and performance (individual and company); and • increases applied to the broader workforce. <p>Salaries are benchmarked periodically and are set by reference to companies of a similar size and complexity.</p>	<p>No maximum applies. The 2014 salaries are due to be reviewed later in 2014.</p> <p>Salaries as at 1 January 2014 are:</p> <ul style="list-style-type: none"> • Chief Executive – £400,000. • Chief Financial Officer – £250,000. <p>The above salary levels will be eligible for increases during the three year period that the Remuneration Policy operates from the effective date.</p> <p>Generally, annual increases will be in line with employee increases but higher increases may be awarded on occasion where an individual is promoted or has been recruited on a below market rate or where there have been material changes to individual responsibilities or in the size or complexity of the business.</p>	Performance and Development Process.

Directors' Remuneration Policy Report (continued)

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Benefits	To aid retention and remain competitive in the market place.	<p>Benefits, which are in line with the market offering in comparable companies, may include a car (or car allowance), telephone, health insurance, long-term illness cover, and life assurance.</p> <p>Temporary relocation or other related expenses may be offered, as required.</p> <p>Executives may participate in the all-employee HMRC-approved Save As You Earn (SAYE) option scheme or Share Incentive Plan (SIP).</p> <p>Similar all employee plans operate in the Republic of Ireland and may be introduced in other countries, if necessary.</p>	<p>Market competitive levels and reflects the costs of some benefits provided by third parties.</p> <p>Awards are made up to the HMRC individual SAYE and SIP limits. The Company makes no commitment to offer SAYE or SIP participation in any year.</p>	Not applicable.
Pensions	To aid retention and remain competitive in the market place.	The Company may contribute into the Johnston Press Retirement Savings Plan (JPRSP), a private pension or pay a salary supplement in lieu of pension.	<p>The Company may make pension contributions of up to 25% of basic salary and match any individual contributions up to a maximum of 5% of salary.</p> <p>Only base salary is pensionable.</p>	Not applicable.
Annual bonus	<p>To motivate executives and incentivise the achievement of key financial and strategic targets over the year without encouraging excessive risk taking.</p> <p>The additional bonus potential for 2014 is to motivate and reward the significant additional effort required to achieve significant financial benefits following a successful capital raising that provides a strong platform for future growth.</p>	<p>The Committee considers and approves the measures and targets at the start of each year and ensures they are aligned with business strategy and are sufficiently stretching.</p> <p>In setting the appropriate financial parameters, the Committee takes into account the Company's internal budgets and, where applicable, analysts' expectations for the forthcoming year. The targets applying to financial measures are (where possible) based on a sliding scale.</p> <p>Bonus payment is determined by the Committee after the year end by assessing the extent to which targets have been achieved.</p>	<p>The Chief Executive Officer's normal maximum bonus opportunity is 120% of salary and the Finance Director's is 100% of salary.</p> <p>Following extensive shareholder consultation, for 2014 only, a higher maximum will apply. The Chief Executive Officer's opportunity will be 180% of salary and the Chief Financial Officer's opportunity will be 150% of salary.</p>	<p>The bonus may be based on the achievement of an appropriate mix of challenging financial, strategic or personal targets.</p> <p>Financial measures, which typically account for the majority of the bonus opportunity, may include measures such as EBITDA targets (or other measures of profit), revenue, cash flow performance and debt reduction targets.</p> <p>For financial metrics, a range of targets is set by the Committee, taking into account factors such as the internal and external business outlook for the year.</p>

Directors' Remuneration Policy Report (continued)

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Performance Share Plan	<p>Incentivises Executive Directors and selected senior executives to achieve superior financial performance and long-term shareholder returns.</p> <p>To facilitate share ownership and provide further alignment with shareholders.</p> <p>To attract, motivate and retain key talent.</p>	<p>The Company operates a Performance Share Plan (PSP). Under this plan annual awards (structured as nil cost options or conditional awards) are granted. The rules of the plan also allow awards to be structured as forfeitable share awards.</p> <p>These awards vest after three years subject to the achievement of stretching performance conditions measured over a period of three years and continued employment.</p> <p>The level of grant is reviewed annually (subject to the PSP individual limit) taking into account overall remuneration, the performance of the Executive and the Company's share price.</p> <p>Clawback provisions apply which permits the Company to claw back vested awards in the event of a material misstatement, error in assessing performance conditions or discovery of an act of gross misconduct.</p> <p>The value of dividends, to the extent they are paid, will accrue on vested awards during the vesting period.</p> <p>If awards under the Value Creation Plan are granted to Executive Directors – see below – no awards under the PSP will be made in that financial year. This excludes any matching awards (granted under the PSP) that the Chief Executive is entitled to if he invests part of his 2013 bonus as set out in his service contract.</p> <p>If no VCP awards are granted in 2014, PSP awards may be granted in 2014 subject to the limits set out in this table.</p>	<p>Under the PSP, awards with a face value of no more than 125% of salary (or 150% of salary in exceptional circumstances) may be made in any year.</p>	<p>PSP awards vest after three years subject to the satisfaction of challenging performance criteria which may include relative TSR and/or EPS growth.</p> <ul style="list-style-type: none"> If used, Total Shareholder Return (TSR) will be measured against an appropriate comparator group. 25% of this part of the award vests at median, with 100% vesting for upper quartile performance with straight-line vesting in between. For this part of the award, no vesting can occur unless the Committee is satisfied that the underlying financial performance of the Company has achieved an appropriate level of improvement. A portion may be subject to earnings per share (EPS) growth targets over a three year period. No part of this award will vest unless a threshold level of performance is achieved. 25% of this part of the award vests for threshold rising up to full vesting for a more demanding target. <p>In determining the target range for any financial measures that may apply, the Committee ensures they are challenging by taking into account current and anticipated trading conditions, the long-term business plan and external expectations.</p> <p>Normally, EPS and TSR performance periods for future awards will commence from the start of the financial year in which the award is made.</p> <p>The Committee may introduce other measures either to support or in place of TSR and EPS which support the long-term business strategy. The Committee will consult with major investors before making any changes to measures.</p> <p>See Note 2.</p>

Directors' Remuneration Policy Report (continued)

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
2014 Value Creation Plan	To support the next phase of the Company's turnaround strategy through the alignment of management and shareholder interests by incentivising significant share price growth post-refinancing.	<p>Subject to approval at the 2014 AGM.</p> <p>If the VCP is approved by shareholders, an award will be made under this plan instead of the PSP. Awards may be granted during one year following the approval of the VCP.</p> <p>In addition, awards will only be granted if, in the opinion of the Committee, a successful refinancing has taken place.</p> <p>Awards will be structured as premium priced options that vest three years following the completion of the refinancing.</p> <p>The 'premium' hurdle will be 18% above the Base Price, which will be calculated as the average 30-day share price directly after the completion of a refinancing.</p> <p>The value of the option on vesting for participants is dependent on the extent to which the average share price during the last 30 days of the three-year performance period exceeds the premium price hurdle.</p> <p>The option gain will be crystallised on the third anniversary following the completion of the refinancing and the 'gain' will be released in two equal tranches, with half vesting on the third and half on the fourth anniversary, subject to continued employment.</p> <p>The Committee may decide to satisfy the option as a share appreciation right by providing free shares that have a market value on vesting equal to the gross gain realised under the option on the third anniversary of the date of completion of refinancing, thereby reducing the number of shares required to satisfy the award.</p>	<p>The premium priced options will be over 7.5% of the shares in issue following completion of the refinancing, with the CEO and CFO receiving 40% and 20% of the total allocation respectively. Lower allocations will be granted to other selected senior executives.</p>	<p>A hurdle will apply (being the premium exercise price). This will be set at 5.7%p.a. or 18% higher than the 30-day average share price directly after completion of refinancing.</p> <p>Executives will only benefit to the extent this level of return has been generated for shareholders.</p> <p>No awards will vest or awards may be scaled back if, in the Committee's opinion, there has not been a commensurate improvement in the Company's financial position at the end of the three-year performance period.</p> <p>See Note 3.</p>

Directors' Remuneration Policy Report (continued)

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
		Clawback provisions apply which permits the Company to claw back vested awards in the event of a material misstatement, error in assessing performance conditions or discovery of an act of gross misconduct.		
Ashley Highfield's matching awards	To secure the recruitment of Ashley Highfield.	<p>Under the terms of his contract, Ashley Highfield purchased Company Shares out of his own monies prior to the payment of bonus in 2013 and received a match of PSP awards on a 2-for-1 basis.</p> <p>Mr Highfield may invest a portion of his cash bonus payable in 2014 (in respect of 2013 performance) and receive a matching award on a 2-for-1 basis on a gross of tax basis.</p> <p>Save for the opportunity described above, no further matching awards may be granted under the terms of his contract.</p> <p>Matching awards vest after three years subject to the achievement of performance targets and continued employment. Matching awards will also normally only vest to the extent that the related 'matched' investment shares have been retained until the time of vesting.</p>	<p>The value of Matching Shares awarded in 2014 cannot exceed 60% of Mr Highfield's 2013 salary (on a gross of tax basis).</p> <p>A 2-for-1 match applies on the cash bonus invested. In aggregate, the maximum face value of PSP (including matching awards) cannot exceed 125% of his salary in any financial year.</p>	As per PSP awards.
Share Ownership Guidelines	To align interests of management and shareholders.	<p>The Chief Executive and Chief Financial Officer are required to build up shares to the value of 200% and 150% of salary respectively.</p> <p>Executive Directors are required to retain 50% of shares which vest under executive share plans, after allowing for sufficient sales of shares to meet tax obligations, until the required holding has been achieved.</p> <p>Only shares owned outright will count towards the guideline.</p>	n/a.	n/a.

Directors' Remuneration Policy Report (continued)

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Non-Executive Directors	To attract and retain high quality and experienced Non-Executive Chairman and Directors.	<p>Fees are paid quarterly and a part may be paid in shares as well as cash.</p> <p>The Board determines the fees of the Non-Executive Directors within the limits set by the Articles of Association. They are based upon recommendations from the Chairman and Chief Executive (or, in the case of the Chairman, based on recommendations from the Remuneration Committee and the Chief Executive).</p> <p>The level of fees of the Non-Executive Directors reflects the time commitment and responsibility of their respective roles. Their fees are reviewed from time to time against broadly similar UK listed companies and companies of a similar size. Additional fees may be payable for the chairmanship of committees and for holding the Senior Independent Director position.</p> <p>In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment of the Non-Executive Chairman and Directors.</p>	Current fees are set out in the Annual Report on Remuneration.	None.

Notes:

1. In terms of annual performance targets, EBITDA reflects the Company's objective of increasing earnings and ultimately shareholder value and revenue targets incentivise top line growth.
2. Total Shareholder Return is an important benchmark of the success of the business and provides a strong alignment with the returns received by shareholders. The EPS measure ensures a focus on long-term profitability which the Committee believes is a driver of shareholder value.
3. The value of the award under the VCP is subject to a challenging share price hurdle, which has been set so as to incentivise the creation of significant shareholder value.

Annual Bonus Plan, PSP and VCP Discretions

The Committee will operate the annual bonus plan, PSP and VCP (if approved) according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following (albeit with the level of award restricted as set out in the policy table above):

- Who participates in the plans;
- the timing of grant of award and/or payment;
- the size of an award and/or a payment subject to individual participation and dilution limits as approved by Shareholders;
- the choice of performance measures for each incentive plan in accordance with the policy set out above and the rules of each plan;
- discretion relating to the measurement of performance and level of vesting in the event of a change of control or reconstruction;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;

Directors' Remuneration Policy Report (continued)

- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's shareholders.

Legacy Arrangements

For the avoidance of doubt, in approving the Policy Report, authority is given to the Company to honour any commitments entered into with current or former directors, including awards made to the Chief Executive as part of the terms of his recruitment.

Differences in Remuneration Policy for Executive Directors Compared to Other Employees

The Committee is made aware of pay structures across the wider Group when setting the remuneration policy for Executive Directors. The Committee considers the general basic salary increase for the broader employee population when determining the annual salary review for the Executive Directors.

The annual Senior Leadership Bonus (SLB) plan operates across certain levels in the Group. Monthly and quarterly sales incentive schemes are in place to motivate direct advertising and newspaper sales teams, some ad-hoc local bonus plans (for junior level roles) operate across the Group and all employees are eligible to participate in the SAYE scheme (if offered).

Overall, the remuneration policy for the Executive Directors is more heavily weighted towards variable pay than for other employees. This ensures that there is a clear link between the value created for shareholders and the remuneration received by the Executive Directors given it is the Executive Directors who are considered to have the greatest potential to influence Company value creation.

Remuneration Scenarios for Executive Directors

The Company's policy results in a significant portion of remuneration received by Executive Directors being dependent on Company performance. The graph below illustrates reward scenarios for the Executive Directors under three performance scenarios: below Target, On-Target and Maximum.

Notes:

- (i) Minimum comprises fixed pay. Fixed pay is the sum of basic salary (as at 1 January 2014), benefits (2013 value) and pension. Fixed pay is constant across all three scenarios.
- (ii) For On-target it is assumed 50% of the 2014 maximum bonus opportunity (including the one-off additional opportunity) is paid and 25% of normal PSP vests.
- (iii) For Maximum; assumed full bonus payment for 2014 (which includes the one-off additional opportunity) and PSP vests in full.
- (iv) No account has been taken of any changes in the Company's share price.
- (v) The proposed 2014 VCP grant has not been included in the above chart as it is not possible to ascertain values for Target and Maximum vesting with any certainty because these are based on the value of the Company post-refinancing and share price increase. In addition it is a one-off arrangement which does not form part of the ongoing remuneration policy.

Recruitment and Promotion Policy

The remuneration package for a new Executive Director will be set in accordance with the Company's approved policy as set out above, subject to such modifications as are set out below.

Salary levels for Executive Directors will be set in accordance with the Company's remuneration policy, taking into account the experience and calibre of the individual and his existing remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be made over subsequent years subject to individual performance and development in the role. Benefits will generally be provided in line with those offered to other Executive Directors, with relocation or other one-off expenses provided for if necessary.

The structure of variable pay element will be in accordance with the Company's approved policy detailed above. The maximum bonus potential for a new recruit is 120% of salary. For long-term incentives the individual PSP limit in face value terms is 125% of salary or 150% of salary in exceptional circumstances. Different performance measures may be set initially for the annual bonus, taking into account the responsibilities of the individual, and the point in the financial year that the individual joined the Board.

Directors' Remuneration Policy Report (continued)

In the case of an external hire, if it is necessary to buy-out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer), this would be provided for taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards will only be made to the extent necessary. If used, they may be granted using the Company's existing share plans to the extent possible, although awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules of the UKLA.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant.

Fees for a new Chairman or Non-Executive Director will be set in line with the approved policy.

Service Contracts and Loss of Office

Ashley Highfield's service contract is terminable by either party on twelve months' notice. In line with the Company's policy for new hires introduced in 2013, David King's contract requires six months' notice by either party. Executive Directors' service contracts will be available for inspection at the Annual General Meeting.

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

The contract dates and notice periods for each Executive and Non-Executive Director are as follows:

	Date of Contract	Notice period by Company	Notice period by Director
Ashley Highfield	27 July 2011	1 year	1 year
David King	16 May 2013	6 months	6 months
Ian Russell	28 January 2012	3 months	3 months
Camilla Rhodes	13 July 2012	3 months	3 months
Ralph Marshall	25 June 2011	3 months	3 months
Mark Pain	1 May 2012	3 months	3 months
Kjell Aarnot	20 June 2013	3 months	3 months
Stephen Van Rooyen	22 May 2013	3 months	3 months

For Executive Directors, the Company may in its absolute discretion at any time after notice is served by either party, terminate a Directors' contract by paying an amount in lieu of the notice period equivalent to basic salary and the value of contractual benefits, including pension.

Executive Directors' contracts of employment may be terminated, at the option of the Company, by giving 12 months' notice for Ashley Highfield and six months' notice for David King. The Company may also terminate the Executive's employment forthwith in certain circumstances including any serious breach of his obligations under the relevant contract of employment. The Executive Directors' service contracts do not provide any entitlement to the provision of liquidated damages or any special provisions relating to a change of control.

Executive Directors are entitled to accept up to two Non-Executive Director appointments outwith the Company provided that the Chairman's permission is obtained. The Remuneration Committee decides whether any fees for such positions are retained by the Director. In addition, the Executive Directors are entitled to accept any positions connected with the newspaper industry or any business in which the Company holds an investment.

Treatment of Incentives

If a participant ceases to be employed at any time before a bonus is due to be paid or is under notice of termination of employment at this time, then generally no bonus will be payable to that individual. If, however, the participant ceases employment, or is under notice of termination of employment, for a 'good leaver' reason, including – (i) death, (ii) injury or disability evidenced to the satisfaction of his employer, (iii) redundancy, (iv) retirement with the agreement of the Committee, (v) his office or employment being transferred out of the Group, or (vi) for any other reason if the Committee so decides, then the Committee has discretion to decide that the bonus (including any part that would have been deferred into a share award) shall continue to be paid to the participant after the end of the performance period, subject to a pro rata reduction. The Committee has discretion not to apply a pro rata reduction if it considers that to do so would be inappropriate in a particular case.

Generally, upon cessation of employment, outstanding awards made under the Deferred Share Bonus Plan shall lapse. If, however, a participant ceases employment for one of the 'good leaver' reasons as set out above for the annual bonus plan or for any other reason if the Committee so decides, then the award will vest on cessation.

Directors' Remuneration Policy Report

(continued)

Generally, upon cessation of employment, outstanding awards made under the PSP or VCP shall lapse including in cases of summary dismissal. If, however, a participant ceases employment for one of the 'good leaver' reasons as set out above for the annual bonus plan (excluding retirement, redundancy, the sale or transfer of a business out of the Group for the VCP only) or for any other reason if the Committee so decides, then:

- For the PSP, the awards will vest on the normal vesting date, subject to the achievement of the performance conditions and a pro rata reduction based on the period commencing on the first day of the performance period and ending on the date of cessation relative to the full performance period. The Committee however, retains the discretion to decide, in exceptional circumstances, that an award will instead vest on the date of cessation, subject to the achievement of performance conditions and a pro rata reduction.
- For the VCP, awards will vest on the normal vesting dates and will be pro-rated based on the period from the start of the performance period to the date of cessation, relative to the full three-year performance period.

For both the PSP and VCP, the Committee retains the discretion not to apply a pro rata reduction if it considers that to do so would be inappropriate in a particular case.

How Shareholder Views are Taken into Account

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Company's annual review of remuneration policy.

Consideration of Employment Conditions Elsewhere in the Group

The Company does not actively consult with employees on Directors' remuneration. However, the Committee reviews the remuneration policy and remuneration recommendations for other members of the executive management as it is designated to consider. Pay and benefits elsewhere in the Group are determined by senior management and approved by the Executive Management Committee. The Committee receives reports in respect of these reviews as part of updates in respect of remuneration across the Group. The Committee takes this into account when setting the remuneration policy for Executive Directors.

Annual Report on Directors' Remuneration

Unaudited Information

Base Salaries

Base salaries for Executive Directors are reviewed annually by the Committee.

In light of the Company's focus on refinancing the business, at the time of preparing the report, the Committee decided to postpone the 2014 salary review, for Executive Directors, until later in the year when the outlook for the business is likely to be clearer. Therefore, as at the start of the year base salaries remain unchanged from 2013 levels.

The current base salaries as at 29 December 2013 are £400,000 for the Chief Executive Officer and £250,000 for the Chief Financial Officer. Any salary increase that may be applied later in 2014 will be in line with the Committee's policy on salaries as set out in the Remuneration Policy Report and will be disclosed in next year's report.

Chairman and Non-Executive Directors' Fees

The Chairman's and Non-Executive Directors' fees were last reviewed in 2008 and have not been increased since then. The current fee levels at the start of 2014 are:

- Chairman's fee of £130,000 p.a.; and
- Non-Executive Director base fee of £40,000 p.a.

Supplementary Fees:

- Senior Independent Director – £7,500 p.a.;
- Audit Committee Chair – £7,500 p.a.; and
- Remuneration Committee Chair – £7,500 p.a.

Non-Executive Directors' fees for 2014 will be payable quarterly and 50% will be payable in shares.

Benefits and Pension

Benefits are provided in line with the information set out in the Policy Table.

Ashley Highfield receives, annually, a pension contribution of 25% of his base salary and is entitled to a match of any individual contributions up to 5% of salary.

David King receives a pension contribution of 12% of his base salary.

Annual Bonus

Following prior consultation with major investors, the ABI and ISS, for 2014 only, the annual bonus opportunity for Ashley Highfield will be 180% of salary and for David King will be 150% of salary (i.e. one-and-a-half times the normal annual opportunity). The additional bonus opportunity is felt necessary to incentivise and reward management for achieving a solid platform upon which to implement the next phase of the Company's strategy.

The following table lays out the performance measures that will apply for both Directors and their relative weightings (as percentages of salary).

	Ashley Highfield	David King
Financial		
EBITDA	45%	40%
Digital Revenue	15%	15%
Non-financial		
Audience growth	45%	40%
Advertisers satisfaction	7.5%	2.5%
Staff satisfaction	7.5%	2.5%
Strategic		
Balance sheet strength	60%	50%
	180% of salary	150% of salary

The element relating to strategic targets will be payable at the discretion of the Committee. The Committee will consider the following success factors when determining the extent of bonus payable:

- An appropriate reduction in the Company's cost of capital;
- avoiding PIK 'Payment-in-Kind' interest accrual under existing lending facilities;
- establishing a healthy and sustainable balance sheet; and
- providing a solid platform for future growth.

Annual Report on Directors' Remuneration (continued)

Should the minimum level target not be achieved for EBITDA, the amount payable in respect of other financial and non-financial KPIs shall be halved, irrespective of achievement of the relevant targets for those KPIs. This underpin does not apply to the strategic target.

The targets and individual objectives themselves are deemed to be commercially sensitive and will not be disclosed prospectively. However, the Committee will seek to provide retrospective disclosure of the financial, non-financial and strategic targets and performance against them in next year's remuneration report.

Clawback provisions and deferral of bonus into shares will apply in accordance with the policy.

Under the terms of his contract and as described in the Policy Report, Ashley Highfield may invest a portion of his 2013 cash bonus and receive a match on a 2 for 1 basis (and on a gross of tax basis) under the Performance Share Plan (PSP) (see below under Long-term Incentives). The matching award will be subject to Earnings Per Share (EPS) and Total Shareholder Return (TSR) conditions although the performance periods may differ depending on when in the year the investment is made. The overall 125% of salary PSP annual limit shall apply i.e. including any normal PSP award made in the year and any matching shares arising from this arrangement.

Long-Term Incentives

Value Creation Plan

The Company intends to introduce a Value Creation Plan (VCP) which shareholders will be asked to vote on at its Annual General Meeting in 2014. If the VCP is approved by shareholders, and subject to a successful refinancing in the opinion of the Committee, it is intended that, VCP awards will be granted in place of PSP awards in 2014. VCP awards take the form of premium priced options which will vest three years after the completion of a successful refinancing and the gain in the option may be satisfied in whole shares as share appreciation rights.

The award will be over 7.5% of the Company's share capital (post refinancing) and will entitle the award holder to the gain above a hurdle. For this purpose, the hurdle will be set at 18% higher than the 30-day average share price directly after refinancing.

The Chief Executive Officer and Chief Financial Officer's awards will be over 40% and 20% of the total number of awards i.e. premium price options over 3.0% and 1.5% of the issued share capital respectively.

The intention is that the VCP will be satisfied with new issue shares. As a temporary measure, a resolution will be put to shareholders for the removal of the 5% in ten years limit contained in the PSP and the suspension of the 10% in ten years limit in respect of all share schemes currently in operation. It is proposed that an all-encompassing 13% in ten years limit will apply and this will reduce to 10% in ten years in three to five years. It is proposed that dilution limits contained in the PSP (and other relevant share plans) be amended to take account of this.

Performance Share Plan

In the event that the Company does not proceed with the VCP, it is envisaged that PSP awards will be granted to Executive Directors in accordance with limits set out in the Remuneration Policy. The maximum individual limit of 125% of salary will apply and it is likely that the TSR and EPS conditions applying to historic awards will apply. The Committee will ensure that appropriately stretching targets are applied based on the Company outlook directly prior to grant. If PSP awards are made, the targets will be disclosed fully in next year's report.

As mentioned above, the Chief Executive Officer, as part of the terms of his appointment, may receive matching awards (granted under the PSP) if he invests part or all of his 2013 cash bonus.

Membership of the Remuneration Committee

Camilla Rhodes took over chairing the Committee from Geoff Iddison at the 2013 AGM. The members of the Committee throughout 2013 are listed in the table below. All members of the Committee are Independent Non-Executive Directors. No Director plays a part in any decision making directly relating to their own remuneration.

The members of the Committee and their year of appointment to the Committee were:

Name	Year of appointment
Camilla Rhodes (Chair)	2010
Mark Pain	2010
Stephen van Rooyen*	2013
Geoff Iddison**	2010

* Stephen van Rooyen became a member of the Committee following his appointment as a Director on 1 June 2013.

** Geoff Iddison was Chair of the Remuneration Committee until he stepped down at the Annual General Meeting on 26 April 2013.

During 2013, the Committee met on eight occasions. At those meetings base salaries of Executive Directors were reviewed, the targets and quantum of annual performance related bonuses for Executive Directors were agreed, the vesting outcome of the Group's long-term incentive schemes and the bonus payments in respect of 2012 were reviewed, as were awards to be granted under the Group's PSP and the performance measures applying. In addition, during 2013, the Committee reviewed the organisation's new compensation and benefits philosophy, gave input to the work on implementing pay for performance across the Group, developed the Value Creation Plan proposal for 2014, reviewed and approved below board performance-related bonus schemes and provided oversight at an aggregate level to the granting of Company Share Option Plan (CSOP) awards and Save As You Earn (SAYE) schemes.

The Committee has the delegated responsibility for reviewing the Board policy on remuneration for the Executive Management Committee (which includes the two Executive Directors) and setting all aspects of remuneration, including the total remuneration package for all Executive Directors and the Chairman of the Board.

Annual Report on Directors' Remuneration (continued)

The Committee's terms of reference set out the responsibilities of the Remuneration Committee and are available on the Company's website and on request.

Advice to the Committee

No member of the Committee has any personal financial interest (other than as a shareholder), conflicts of interest arising from cross directorships or day-to-day involvement in running the business. Other Directors attend meetings when invited by the Committee and the Company Secretary acts as Secretary to the Remuneration Committee. The Company's Director of Human Resources also attends meetings by invitation. No Director plays a part in any discussion about his or her own remuneration.

The Remuneration Committee was advised during the year by New Bridge Street (NBS), a trading name of Aon Plc. Neither NBS nor any other part of Aon plc provided other services to the Company during 2013. NBS attended two of the meetings of the Committee during the year and provided advice as required by the Committee. The terms of engagement between the Company and NBS are displayed on the Company's website. NBS are members of the Remuneration Consultants Group and are signatories to its Code of Conduct. The Committee monitors the relationship with external advisers on a regular basis and remains confident that NBS is independent and no conflicts of interest exist.

NBS provided advice on a wide range of issues including share plan implementation. Total NBS fees incurred for 2013 were £70,830 excluding VAT.

Statement of Shareholder Voting at 2013 AGM

At last year's AGM, the 2012 Directors' Remuneration Report received the following votes from shareholders:

	2012 Remuneration Report	
	Total number of votes	% of votes cast
For (including discretion)	387,374,732	93.24%
Against	28,088,970	6.7%
Abstentions	1,136,233	0.3%
Total (excluding abstentions)	415,463,702	-

Audited Information

Single total figure of remuneration for each Director

Name of Director		Fees/basic salary £'000	Benefits ³ £'000	Annual bonuses ⁴ £'000	Long-term incentives ² £'000	Pension £'000	Total £'000
Executive Directors							
Ashley Highfield	2013	400	12	80	-	100	592
	2012	400	12	190	-	100	702
David King ⁴	2013	146	6	33	-	18	203
	2012	-	-	-	-	-	-
Former Executive Directors							
Grant Murray ⁵	2013	112	4	-	-	21	166
	2012	270	10	74	-	50	405
Danny Cammiade ⁵	2013	81	4	-	-	21	106
	2012	324	13	404	-	85	826
Non-Executive Directors							
Ian Russell	2013	130	-	-	-	-	130
	2012	130	-	-	-	-	130
Ralph Marshall	2013	40	-	-	-	-	40
	2012	40	-	-	-	-	40
Mark Pain	2013	55	-	-	-	-	55
	2012	55	-	-	-	-	55
Camilla Rhodes	2013	45	-	-	-	-	45
	2012	40	-	-	-	-	40
Kjell Aamot	2013	40	-	-	-	-	40
	2012	40	-	-	-	-	40
Geoff Iddison ⁶	2013	24	-	-	-	-	10
	2012	48	-	-	-	-	48
Stephen van Rooyen ⁷	2013	23	-	-	-	-	23
	2012	-	-	-	-	-	-

Annual Report on Directors' Remuneration (continued)

Notes:

1. Annual Bonus includes cash and deferred elements. The deferred element is not subject to performance conditions and vests after three years.
2. The value of long-term incentive awards with performance periods ending during or shortly after the relevant financial year.
3. Benefits for the Executive Directors include Healthcare Insurance, Car Allowance, telephone and life assurance.
4. David King commenced employment on 16 May 2013 and assumed the role of Director on 1 June 2013. Base salary, benefits and pension reported are for the period from 1 June 2013 to 31 December 2013. His bonus relates to the period from the commencement of his employment.
5. Grant Murray and Danny Cammiade ceased employment on 31 May 2013 and 31 March 2013 respectively. Their remuneration figures in the above table reflect pay for the period up till cessation of employment. Payments for loss of office are disclosed separately below.
6. Geoff Iddison stepped down from the Board on 26 April 2013.
7. Stephen van Rooyen joined the Board on 1 June 2013.

Non-Executive Directors are paid half of the annual fee shown above in shares – see Table of Directors' share interests.

2013 Annual Bonus Outturn

The 2013 Annual Bonus Plan for the Chief Executive and Chief Financial Officer was based upon the following measures.

	% of salary	
	Ashley Highfield	David King
EBITDA	40%	30%
Debt reduction	40%	30%
Key Performance Indicators (KPIs)	40%	40%
Maximum bonus potential	120%	100%

The EBITDA and Debt Reduction thresholds were not achieved and therefore no bonus in respect of these two measures was payable. Accordingly, as the threshold targets had been missed, the opportunity for payment for achieving the KPIs was halved to 20% of salary for each director.

50% of the KPI element was based on Monthly Digital audience and this was met in full with 13.3 million users exceeding the 12 million target set at the start of the year. None of the other KPI metrics which included measures in respect of subscriptions, newspaper sales and advertiser/staff satisfaction metrics were met.

Following the end of the year, the Committee reviewed overall Company performance and determined that the bonus outturn did not reflect the progress the Company had made in 2013. The Committee considered:

- Growth in like-for-like profit;
- The extent of digital audience numbers outperforming the target, which is a key area of future growth;
- The growth in digital revenues; and
- The agreement with lenders for a revised set of financial targets/covenants that run to September 2015.

On balance, reflecting the positive factors outlined above, the Committee exercised its discretion (under the rules of the annual bonus plan) and increased the bonus outturn for executive directors from 10% (based on KPI achievement) to 20% of salary. David King's bonus will be pro-rated to reflect the period of time during which he was in employment in 2013. The Committee believes that the above use of discretion has resulted in a fairer reflection of performance.

Accordingly, the following bonus payments will be made in respect of 2013 performance:

Ashley Highfield		David King	
Cash	Deferred	Cash	Deferred
£40,000	£40,000	£16,666	£16,667

Long-term incentives vesting in relation to performance ending in 2013

Given the relatively short tenure of the current Executive Directors, neither director has long-term incentive awards with performance periods ending in 2013 or shortly after.

Annual Report on Directors' Remuneration (continued)

Share Awards Granted in 2013

	Schema	Basis of award granted	Shares Awarded	Face value of award ¹	Maximum vesting (% of face value)	Percentage vesting for threshold performance	Vesting period
Ashley Highfield	PSP	87% of salary	2,000,000	348,000	100%	25% under TSR element, 25% under EPS element	Performance measured over three years. Awards will vest to participants on the third anniversary of grant, subject to performance and continued employment
David King	PSP	69.6% of salary	1,000,000	174,000	100%		
Ashley Highfield	Deferred Share Bonus Plan	50% of 2012 annual bonus	608,194	95,000	n/a	Deferred bonus, subject to continued employment	Awards will vest to participants on the third anniversary of grant subject to continued employment

1. Face value based on a share price of 17.45p being the share price on the date of grant. For DSBP Face Value based on 15.62p.

The PSP awards are granted in the form of nil cost options and are subject to two equally weighted performance conditions, relative TSR and EPS growth.

The relative TSR performance condition measures the Company's TSR performance against a comparator group comprising the FTSE All-Share Media companies (excluding any FTSE 100 companies) as at the date of grant. For a ranking below median, none of this element of the award will vest. For a median ranking 25% of this element of the award will vest, rising on a straight-line basis to full vesting of this element for a ranking at or above upper quartile.

The EPS range for the award is based on EPS growth over the three financial years: 2013 to 2015. 25% of this part of the award vests for EPS growth of 0%p.a. and full vesting for achieving 6%p.a. or better, using 2012 as the base year. The Committee is satisfied that the above target range is sufficiently stretching in light of internal and external expectations.

Deferred share bonus plan awards are granted in the form of nil cost options.

Share Awards

The table below sets out details of the Executive Directors' outstanding awards under the PSP and the Deferred Share Bonus (DSBP) plans – including those awarded in 2013 and shown in the previous table:

Name of Director	Type of Award	Date of award	Share price at grant (pence)	Number of shares at 1 January 2013	Lapsed during the period	Exercised during the period	Number of shares at 31 December 2013	Date from which exercisable	Expiry date
Ashley Highfield	PSP (Recruitment award)	11/11/11	4.78p	10,471,204	–	–	10,471,204	11/11/14	10/11/15
Ashley Highfield	PSP	14/09/12	5.49p	6,954,581	–	–	6,954,581	14/09/15	13/09/16
Ashley Highfield	DSBP	06/06/12	6.39p	207,222	–	–	207,222	15/03/15	14/03/17
Ashley Highfield	PSP (Matching Shares)	21/12/12	14.50p	180,000	–	–	180,000	21/12/15	20/12/16
Ashley Highfield	DSPB	22/05/13	15.62p	–	–	–	608,194	15/04/16	14/04/18
Ashley Highfield	PSP	05/06/13	17.45p	–	–	–	2,000,000	05/06/16	04/06/17
David King	PSP	05/06/13	17.45p	–	–	–	1,000,000	05/06/16	04/06/17
Grant Murray	PSP	31/05/11	7.00p	720,000	–	–	720,000	31/05/14	30/05/15
Grant Murray	PSP	14/09/12	5.49p	1,320,784	–	–	1,320,784	14/09/15	13/09/16
Grant Murray	DSPB	06/06/12	6.39p	352,733	–	352,733	–	–	–
Danny Cammiade	PSP	16/04/10	31.75p	744,007	744,007	–	–	16/04/13	16/04/13
Danny Cammiade	PSP	21/04/11	7.40p	862,912	–	–	862,912	21/04/14	20/04/15
Danny Cammiade	PSP	14/09/12	5.49p	1,102,041	–	–	1,102,041	14/09/15	13/09/16
Danny Cammiade	DSPB	06/06/12	6.39p	2,872,311	–	2,872,311	–	–	–

Notes:

For Directors who left during 2013 (Murray and Cammiade), PSP Awards that will vest in future years, will be tested for performance conditions at the appropriate date for the scheme and any payment calculated will be pro-rated to account for their leaving date.

The outstanding awards made under the PSP are subject to three-year EPS and TSR conditions, each with an equal weighting.

Annual Report on Directors' Remuneration (continued)

Table of Directors' share interests

The share interests of each person who was a Director of the Company during the year as at 28 December 2013 (together with interests held by his or her connected persons) were as follows:

	Legally owned	PSP awards		Deferred Share Bonus awards		SAYE		Total legally owned at 28.12.13	% of salary held under Shareholding Policy
	30.12.12*	Unvested	Vested	Unvested	Vested	Unvested	Vested	28.12.13**	% salary at 28.12.13
Executive Directors									
Ashley Highfield	1,016,270	19,605,785	–	815,416	–	67,796	–	1,016,270	40.65%
David King	–	1,000,000	–	–	–	–	–	–	0%
Grant Murray	–	1,822,041	–	–	–	–	–	6,500	n/a
Danny Cammiade	1,321,037	2,183,696	–	–	–	–	–	1,323,753	n/a
Non-Executive Directors									
Ian Russell	3,916,163	–	–	–	–	–	–	4,161,040	n/a
Ralph Marshall	624,848	–	–	–	–	–	–	738,067	n/a
Mark Pain	603,272	–	–	–	–	–	–	695,318	n/a
Camilla Rhodes	396,807	–	–	–	–	–	–	470,410	n/a
Kjell Aamot	556,666	–	–	–	–	–	–	667,288	n/a
Stephen van Rooyen	–	–	–	–	–	–	–	47,154	n/a
Geoff Iddison	607,245	–	–	–	–	–	–	661,842	n/a

* Or date of appointment if later.

** Or date of resignation if earlier.

Holdings expressed as % of salary based on share price at 28.12.2013 of 16p.

There has been no change in shareholding since the end of the year up to the date of this report.

The shareholding guideline applies to Executive Directors only.

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 200% and 150% of salary has been achieved by the Chief Executive Officer and Chief Financial Officer respectively.

Pensions

Normal retirement			Transfer value of total accrued pension at						
Date	Age	Years of pensionable service	Total accrued pension at 29.12.12 £'000	Increase in accrued pension during year £'000	Transfer value of increase £'000	Total accrued pension at 28.12.13 £'000	29.12.12 £'000	28.12.13 £'000	Increase (decrease) in value of pension during year £'000
Danny Cammiade	24/04/2022	62	19	165	0	0	169	3,750	3,663 (87)

Danny Cammiade was a member of the Group Pension Schemes before the introduction of the pensionable salary cap in May 1989. Following the closure of the defined benefit pension plan to future accrual in 2010, the Group made payments of £85,000 per annum in 2011 and 2012 and £21,162 in 2013 (for the three months of his employment) as a salary supplement net of National Insurance.

Payments for Loss of Office

Danny Cammiade

Danny Cammiade ceased employment with the Company on 31 March 2013. As disclosed in last year's remuneration report, in accordance with a compromise agreement dated 13 December 2012, by way of compensation for loss of office he received one year's basic salary, pension, car allowance and medical insurance to the value of £419,680 (of which £324,000 was basic salary). As previously set out, his agreement also provided for a cash bonus of 125% of salary (£404,490) reflecting his contribution throughout 2012 and during the first three months of 2013. Mr Cammiade was treated as a good leaver for the purposes of the Company's share schemes with awards vesting subject to performance and pro-rating where applicable.

The Committee was satisfied at the time that this arrangement was necessary to continue to drive the Group's cost performance, improve efficiencies and manage the implementation of a new management structure during the transitional period in 2012 and early 2013 and recognised Mr Cammiade's key role in delivering these objectives.

Grant Murray

Grant Murray ceased employment with the Company on 31 May 2013. He received his salary and contractual benefits (including pension) up to that date. By way of compensation for termination of employment, the Company has agreed to pay Mr Murray the sum of £328,500 comprising 12 months' salary (£270,000), pension and the value of benefits. The first instalment for £163,500 was paid in June 2013 and six equal monthly instalments thereafter for £27,500 are being paid commencing on December 2013. These instalments are subject to mitigation.

Grant Murray was treated as a good leaver for the purposes of the Company's share plans. Where applicable, performance shall be tested and awards will be subject to pro-rating where applicable.

Annual Report on Directors' Remuneration (continued)

Unaudited Information

Change in Remuneration of the Chief Executive

This table shows the change in value of salary, benefits and annual bonus for the Chief Executive Officer and other employees from 2012 to 2013.

	Base salary £'000 % Change	Taxable benefits £'000 % Change	Bonus £'000 % Change
CEO	0%	0%	(57.9%)
Salaried Employees	2%	—	(39.6%)

For comparison purposes, salaried employees include all those, excluding sales employees, who are eligible for an annual performance bonus.

Relative Importance of Spend on Pay

The following table sets out the percentage change in dividends and overall spend on employee pay in 2013 compared to 2012.

	2013 £m	2012 £m	% change
Dividends	—	—	—
Employee remuneration costs	138	153	(9.15%)*

* The main reason for the fall in employee spend is due to a fall in headcount.

Total Shareholder Return Chart

The chart below shows the Company's TSR performance compared with that of the performance of the FTSE Small Cap and the FTSE All Share Media sector. As a member of both indices, the Committee believes these are relevant to compare the Company's performance against.

The five year single figure of remuneration history for the Chief Executive is shown in the table below:

Financial year		2009	2010	2011	2012	2013
Single figure remuneration (£'000)	Ashley Highfield	—	—	115.0	592	702
	John Fry	696.5	705.0	593.5	—	—
Annual bonus outcome (% of Maximum)	Ashley Highfield	—	—	32.5%	39.6%	16.7%
	John Fry	53.3%	58.4%	36.4%	—	—
LTIP vesting outcome (% of Maximum)	Ashley Highfield	—	—	—	—	—
	John Fry	—	—	—	—	—

Notes:

John Fry, the previous Chief Executive, stepped down as Director and CEO on 31 October 2011 and Ashley Highfield commenced employment on 1 November 2011.

Approval

This report was approved by the Board of Directors on 28 March 2014 and signed on its behalf by:

Camilla Rhodes

Camilla Rhodes
Chair, Remuneration Committee

Directors' Report

Johnston Press plc is incorporated as a public limited company and is registered in Scotland with the registered number 15382. Johnston Press plc's registered office is 108 Holyrood Road, Edinburgh, EH8 8AS.

The Directors present the Annual Report and Accounts for the year ended 28 December 2013. References to 'Johnston Press', the 'Group', and the 'Company', 'we' or 'our' are to Johnston Press plc or to Johnston Press and its subsidiary companies where appropriate.

Pages 39 to 72, inclusive, of this Annual Report comprise the Directors' report that has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Details of significant events since the balance sheet date are contained in Note 33 to the financial statements. An indication of likely developments in the business of the Company and details of research and development activities are included in the Strategic Report.

Forward-Looking Statements

This Annual Report and Accounts contains certain forward-looking statements with respect to principal risks and uncertainties facing the Group. By their nature, these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by those forward-looking statements. No assurances can be given that the forward-looking statements are reasonable as they can be affected by a wide range of variables. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report and Accounts and will not be updated during the year. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

Dividends

No interim dividend was paid and the Directors recommend no final dividend for the period. The 13.75% preference dividend was paid on 28 June 2013 and 28 December 2013.

It is proposed that at the next Annual General Meeting of the Company (AGM) a special resolution be put to shareholders to approve a reduction of the Company's share premium account by such an amount to eliminate the accumulated deficit of approximately £133 million on the Company's Income Statement and create distributable reserves for the Company going forward (the 'Reduction'). The Reduction will also need to be approved by the Court of Session in Scotland.

Creating distributable reserves in this way will give the Company greater flexibility going forward and will allow it, amongst other things, to pay dividends to holders of its ordinary shares (subject to the provision of its borrowings facilities) as well as lawfully to holders of the Preference Shares (which it is required to do in June and December every year under its Articles of Association). It will also enable the Company to be able to purchase shares for the Company's Employee Share Trust to settle outstanding awards under the Company's Employee Share Plans.

Share Capital and Capital Structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the period are shown in Note 27. The Company's issued ordinary share capital was 684,352,165 shares at 28 December 2013. As part of the refinancing completed on 28 August 2009, the Company issued warrants over 5.0% of its issued share capital to the Group's lenders, exercisable at any time over the five year period ending 27 August 2014 (the 'First Issue Warrants'). As part of the refinancing completed on 24 April 2012 (i) the exercise period for the First Issue Warrants was extended to 30 September 2017 (the 'Warrant Expiry Date'), (ii) the Company issued further warrants over just under 2.5% of its issued share capital to the Group's lenders (the 'Second Issue Warrants') and (iii) the Company undertook that on or before 30 September 2012, and subject to receiving all necessary shareholder approvals, authorisations and powers, it would issue further warrants over just under an additional 5.0% of its issued share capital as at 23 April 2012 to the Group's lenders (the 'Third Issue Warrants'). The Third Issue Warrants were subsequently issued on 25 September 2012. Each of the First Issue Warrants, Second Issue Warrants and Third Issue Warrants (together the 'Warrants') are exercisable at 10p each at any time prior to the Warrant Expiry Date. During the period 44,428,306 Warrants were exercised resulting in the issue of 44,428,306 ordinary shares. At the balance sheet date 35,193,717 warrants were outstanding.

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 98.4% of the total issued nominal value of all share capital.

There are no specific restrictions on the size of a holding or 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 30.

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 United Kingdom Corporate Governance Code issued by the Financial Reporting Council, 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 Articles of Association and in a schedule of matters reserved for approval of the Board, which are summarised in the Corporate Governance Statement on pages 42 to 46.

Directors' Report (continued)

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
PanOcean Management Ltd	19.38	133,671,088
Orbis Investment Management Ltd	7.72	53,251,201
Tindle Newspapers Ltd	7.42	51,179,698
Cazenove Capital Management Ltd	8.12	56,036,119
JP Morgan Asset Management	4.99	34,405,269
Standard Life Investments Limited	3.03	20,903,214

All interests disclosed to the Company in accordance with DTR 5 that have occurred since 28 December 2013 can be found at our corporate website: www.johnstonpress.co.uk/investors.

Directors and their Interests

Under the Company's Articles of Association, each Director is subject to retirement every three years and to election at the first Annual General Meeting after their appointment. In 2013, all the Directors who wished to continue in office offered themselves for re-election at the Annual General Meeting. All Directors who wish to continue in office will offer themselves for re-election in 2014. As a consequence, Ian Russell, Ashley Highfield, Mark Pain, Camilla Rhodes, Ralph Marshall and Kjell Aamot will offer themselves for re-election. David King and Stephen van Rooyen were appointed during the year and will offer themselves for election at the forthcoming Annual General Meeting.

The Directors who held office at 28 December 2013 had the following interests in the ordinary share capital of the Company:

Ordinary shares of 10p each	% of share capital	28 December 2013
Ian Russell	0.61%	4,161,040
Ashley Highfield	0.15%	1,016,270
David King	0.00%	–
Ralph Marshall	0.11%	738,087
Mark Pain	0.10%	695,318
Camilla Rhodes	0.07%	470,410
Kjell Aamot	0.10%	667,238
Stephen van Rooyen	0.01%	47,154

In addition to the shareholdings shown above, which are all held beneficially, and the share options as shown on page 65, Ashley Highfield and David King held interests in 12,707,321 (2012: 16,198,517) shares at 28 December 2013 by virtue of their status as potential beneficiaries of the Johnston Press plc Employee Share Trust.

Since 28 December 2013, no Director has purchased 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.

Directors' Liability

As permitted by the Companies Act 2006 (the 'Act'), the Company has insurance cover for the Directors against liabilities in relation to the Group.

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 and the Company has 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. 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 with the Group and to protect the interests of existing members of the staff who are disabled.

Going Concern

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, particularly the Financial Review on pages 24 to 31 and in the notes to the financial statements on page 84.

Directors' Report (continued)

Financing Policy and Derivatives

The Group's policies are set out in Notes 21 to 23 and Note 32. These also include details of financial instruments and derivatives.

Change of Control

In the event of a change of control the Group's lenders comprising (private placement loan note holders and various banks) have the option to declare all amounts outstanding repayable on demand.

Environmental Policy

The Board acknowledges that environmental protection is one of the Group's business responsibilities. It aims for a continuous improvement in the Group's environmental performance and to comply with all relevant regulations. A documented environmental policy to monitor performance and to take action where appropriate is in force.

Political Contributions

There were no political donations made and no contributions made to non-EU political organisations.

Close Company Status

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

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, issued to shareholders with this Annual Report.

Special Business

It is intended that nine resolutions (resolutions 14 to 22) will be proposed as are set out under special business in the notice of this year's Annual General Meeting. Currently the first three of these resolutions will be proposed as ordinary resolutions and the others as special resolutions. The full text of each resolution will be set out in the Notice of Annual General Meeting which will be distributed to shareholders shortly.

Resolution 14, seeks approval for the rules of the Johnston Press Value Creation Plan 2014 (the 'VCP'). The rationale for the VCP is explained in the Chairman's Letter (which accompanies the Notice of Annual General Meeting) and the Directors' Remuneration Report on page 49. A summary of the VCP is included in the Appendix to the Notice of Annual General Meeting.

The next resolution, Resolution 15, seeks approval of amendments to the rules of the Johnston Press Performance Share Plan 2006 (the 'PSP') and the Johnston Press 2007 Sharesave Plan (the 'Sharesave Plan'). The rationale for the amendments to the PSP and the Sharesave Plan is explained in the Chairman's Letter (which accompanies the Notice of Annual General Meeting) and the Directors' Remuneration Report. A summary and further explanation of the amendments to the rules of the PSP and Sharesave Plan is also included in the Appendix to the Notice of Annual General Meeting.

The purpose of the next resolution (Resolution 16) is to renew the Directors' authority to allot shares in the Company. Part (i) of Resolution 16 seeks authority to allot shares, and to grant rights to subscribe for or convert any security into shares in the Company up to a maximum nominal amount representing 33.33% of the existing issued ordinary share capital of the Company. The second part of Resolution 16 seeks additional authority to allot equity securities equivalent to a further 33.33% of the existing ordinary share capital of the Company. In accordance with recommended best practice, this additional authority will be applied to fully pre-emptive rights issues only and the authorisation will be valid until the conclusion of the Company's Annual General Meeting in 2015. The Directors anticipate using this power in connection with employee share schemes or on conversion of existing warrants, and the authority, if approved, will expire at the end of the Annual General Meeting in 2015.

The fourth resolution, Resolution 17 (which is the first of the five special resolutions), relates to the power given to the Directors to allot equity securities for cash without the statutory pre-emption provisions of the Companies Act 2006 (the 'Act') applying. In accordance with best practice guidelines, this authority is limited to allotments representing in total up to 5% of the existing issued ordinary share capital and to allotments in connection with a rights issue. Your Directors will have due regard to institutional guidelines in relation to any exercise of this power, in particular the requirement for advance consultation and explanation before making any non-pre-emptive cash issue pursuant to this authority which exceeds 7.5 per cent of the Company's issued share capital in any rolling three year period. This power, which accords with normal practice, currently 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 next resolution (Resolution 18) is a special resolution be put to shareholders to approve a reduction of the Company's share premium account to eliminate the accumulated deficit of approximately £133 million on the Company's profit and loss account and create distributable reserves for the Company going forward (the 'Reduction'). The Reduction will also need to be approved by the Court of Session in Scotland and at separate class meetings of holders of the 13.75% Cumulative Preference Shares and the 13.75% 'A' Cumulative Preference Shares (together, the 'Preference Shares').

Directors' Report

(continued)

Resolution 19 will, if approved, (and subject to confirmation of the Reduction by the Court of Session in Scotland), ratify and confirm the appropriation of distributable profits to the payment of certain dividends on four occasions to holders of the Preference Shares without fully complying with the requirements of the Act. The payments amounted, in aggregate, to approximately £76,000 on each occasion (together with 'Dividends'). Interim accounts showing the requisite level of distributable profits were not prepared and filed at Companies House in accordance with the Act. If approved, the resolution will also release claims which the Company may have either against holders of Preference Shares who received the Dividends or against any such Directors of the Company in respect of the Dividends; and to generally approve the Company entering into deeds of release in favour of those shareholders and Directors in relation to this issue.

The seventh 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 and the Act. Resolution 20 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 if they consider it to be in the best interests of shareholders generally and that 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 Act and the Financial Conduct Authority.

Resolution 21, to be proposed is to permit the Company to call general meetings (other than Annual General Meetings) on not less than 14 days notice as permitted by the Act. Although no such meetings are currently planned, the Directors believe that having authority to do so may, in some circumstances, assist with the efficient discharge of the Company's business. The Company intends to continue to provide as much notice as practicable of general meetings and would normally use this authority only where it would be to the advantage of shareholders as a whole.

The final resolution to be proposed, Resolution 22, is to adopt new articles of association of the Company. Following a review of the Company's articles of association, the Company proposes to take this opportunity to bring clearer language into the new articles of association and to make minor or technical changes to ensure that the new articles of association reflect current Companies Act 2006 and accounting provisions. The amendments will not be material and will be more fully described in the notice convening the Annual General Meeting.

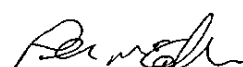
Auditor

Deloitte LLP, the auditor of the Company, have expressed their willingness to continue in office. Upon the recommendation of the Audit Committee, resolutions to re-appoint them as the Company auditor and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM.

Registered Office
108 Holyrood Road
Edinburgh
EH8 8AS

Company Registration Number
SC015382

By order of the Board by:



Peter McCall
Company Secretary
28 March 2014

Directors' Responsibility Statement

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

- Select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union and applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group 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 financial and corporate governance information included on the Company's website (www.johnstonpress.co.uk). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 40 and 41 confirm that, to the best of their knowledge:

- The Group accounts, which have been prepared in accordance with IFRSs as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In accordance with Section 418 of the Companies Act 2006, each Director in office at the date the Directors' report is approved, confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he/she 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.

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
2. the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
3. the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

By order of the Board



Ashley Highfield
Chief Executive Officer
28 March 2014



David King
Chief Financial Officer
28 March 2014

Independent Auditor's Report to the Members of Johnston Press plc

Opinion on financial statements of Johnston Press plc

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 28 December 2013 and of the Group's loss for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Group Statement of Financial Position, the Parent Company Balance Sheet, the Group Cash Flow Statement and the related Notes 1 to 44. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Emphasis of matter – going concern

As required by the Listing Rules we have considered the adequacy of the disclosures in the strategic report on page 31 in respect of the Group's ability to continue as a going concern.

Note 3 to the financial statements explains the need to comply with various bank covenants. The directors have prepared a base case model which indicates covenant compliance throughout the forecast period. However, a reasonable downside scenario, which includes a further deterioration in trading conditions combined with the risk that the proposed refinancing could be aborted, could lead to a covenant breach in the cash flow to debt service covenant.

Whilst we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate, these conditions indicate the existence of a material uncertainty which may give rise to significant doubt over the Group's ability to continue as a going concern. We describe below how the scope of our audit has responded to this risk. Our opinion is not modified in respect of this matter.

Independent Auditor's Report to the Members of Johnston Press plc (continued)

Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:
---	--

Risk	How the scope of our audit responded to the risk
Going concern The Group must comply with the terms of its banking covenants, which is explained further in the strategic report on page 31 and above in the emphasis of matter.	We examined management's assumptions used in their going concern projections and considered reasonably possible sensitivities for each significant assumption, as well as the ability of the directors to mitigate the effect of certain unanticipated events. We tested the mechanical accuracy of the forecast model and agreed the output to the underlying covenant definitions. We identified the key assumptions and measurement points in the forecasts which have the potential to lead to a covenant breach, specifically the risks of further revenue declines and the impact of an aborted refinancing. We also reviewed the going concern disclosures made by the directors for consistency with our understanding of the Group's current position. We include above the conclusion of our review of the directors' statement in respect of the Group's ability to continue as a going concern.
Valuation of publishing titles The directors' assessment of the value of publishing titles involves making assumptions about future revenue growth, cash generation and the applicable discount rate. There are inherent uncertainties in the modelling of future cash flows which requires management to exercise judgement. Note 15 of the financial statements include details of the judgements made.	We challenged the key assumptions used in the directors' impairment model for the publishing titles by focusing on the identification of Cash Generating Units and the assumptions regarding future print advertising and digital revenues, the long-term growth rate and the discount rate used to determine the present values. Where relevant we compared the directors' forecasts to those of independent market analysts or alternatively, developed our own independent forecasts. We also examined the directors' sensitivities applied to the model in the light of these forecasts. We then considered whether the Group's disclosures in Note 4 and 15 appropriately convey the principal risks inherent in the valuation of the Group's publishing titles.
Valuation of the print presses The directors were required to assess the carrying value of the Group's print presses given significant recent declines in third party contract print revenue and the continued actual and forecast decline in printed newspaper circulation. Management considered these to be impairment indicators which resulted in the need for an impairment review. There are inherent uncertainties in the modelling of future cash flows which require the exercise of management judgement which is detailed in Note 16 to the financial statements.	We adopted an approach similar to that for the publishing titles. We considered whether each print press had been assessed separately and challenged the projected cashflows attributed to each press by comparing forecasts against historical performance and examining the robustness of expected future revenue streams. We challenged the directors' print volume assumptions in relation to both future expected internal volume and third party contract print revenues. We examined the discount rate, print volume and cost forecasts for consistency with the assumptions used in the publishing title assessment. We considered the age of the presses and any future maintenance requirements. We also considered whether the disclosures in Note 4 and 16 appropriately convey the principal risks inherent in the valuation of the Group's print presses.
Pension liability The actuarial assumptions used in the measurement of the Group's pension commitments involve judgement in relation to mortality, price inflation, discount rates, and rate of pension and salary increases.	We evaluated the appropriateness of the principal actuarial assumptions used in the calculation of the Group's pension commitments prepared by the Group's actuary using our own actuarial experts and we compared the directors' assumptions to market practice.
Presentation of exceptional items The disclosure of exceptional items in the Income Statement requires management to exercise judgement as to which items of revenue or expense should be disclosed separately on the face of the Income Statement and how those items are described elsewhere in the financial statements or in the Strategic Report.	We examined each of the exceptional items presented on the face of the income statement including all restructuring costs. We assessed the appropriateness of the separate disclosure in the context of IAS 1 and recent FRC guidance. We also considered whether there was a consistent application of policy period on period and how the presentation adopted by the directors' impacted their judgement as to the strategic report and financial statements being fair, balanced and understandable.

The Audit Committee's consideration of these risks is set out on page 48.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Independent Auditor's Report to the Members of Johnston Press plc (continued)

Our application of materiality	<p>We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.</p> <p>We determined materiality for the Group to be £1.0 million, which is below 7.5% of adjusted pre-tax profit, and is 1% of equity. This figure was determined based on an adjusted pre-tax profit which excluded those items presented as exceptional and for the adjustments associated with IAS 21 and IAS 39 given the significant fluctuation in the level of these items year-on-year.</p> <p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £22,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.</p>
An overview of the scope of our audit	<p>Our Group audit work incorporated all trading businesses in the United Kingdom and Ireland as well as the ultimate parent company. All accounting records of the Group are available in two locations and, as part of our controls work, we visited both accounting centres and also a number of operational locations.</p> <p>All our work was performed at a statutory level which includes all of the Group's assets, revenue and profit before tax. Our audit work for the statutory audits was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.</p> <p>All of our audit work was performed by one team, with no use of component auditors; and was led by the Senior Statutory Auditor.</p>
Opinion on other matters prescribed by the Companies Act 2006	<p>In our opinion:</p> <ul style="list-style-type: none"> the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
Matters on which we are required to report by exception	
<i>Adequacy of explanations received and accounting records</i>	<p>Under the Companies Act 2006 we are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> we have not received all the information and explanations we require for our audit; or adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or the parent company financial statements are not in agreement with the accounting records and returns. <p>We have nothing to report in respect of these matters</p>
<i>Directors' remuneration</i>	<p>Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.</p>
<i>Corporate Governance Statement</i>	<p>Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.</p>

Independent Auditor's Report to the Members of Johnston Press plc (continued)

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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

Scope of the audit of the financial statements

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



David Bell CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
28 March 2014

Group Income Statement

For the 52 week period ended 28 December 2013

	Notes	2013				2012			
		Before exceptional and IAS 21/39 items £'000	Exceptional items £'000	IAS 21/39 £'000	Total £'000	Before exceptional and IAS 21/39 items £'000	Revised ¹ Exceptional items £'000	IAS 21/39 £'000	Total £'000
Revenue	6	292,799	10,000	–	302,799	328,691	30,000	–	358,691
Cost of sales		(173,710)	–	–	(173,710)	(207,868)	–	–	(207,868)
Gross profit		119,089	10,000	–	129,089	120,823	30,000	–	150,823
Operating expenses	7	(64,210)	(39,756)	–	(103,966)	(63,778)	(21,824)	–	(85,602)
Impairment of intangibles, property, plant and equipment and assets held for sale	7	–	(270,793)	–	(270,793)	–	(24,780)	–	(24,780)
Total operating expenses		(64,210)	(310,549)	–	(374,759)	(63,778)	(46,604)	–	(110,382)
Operating (loss)/profit	8	54,879	(300,549)	–	(245,670)	57,045	(16,604)	–	40,441
Financing									
Investment income	10	394	–	–	394	148	–	–	148
Net finance expense on pension assets/liabilities	11a	(1,576)	–	–	(1,576)	(2,471)	–	–	(2,471)
Change in fair value of hedges	11c	–	–	(1,691)	(1,691)	–	–	(7,297)	(7,297)
Retranslation of USD debt	11c	–	–	1,749	1,749	–	–	4,275	4,275
Retranslation of Euro debt	11c	–	–	(235)	(235)	–	–	262	262
Finance costs	11b	(39,808)	–	–	(39,808)	(42,129)	–	–	(42,129)
Net finance costs		(40,990)	–	(177)	(41,167)	(44,452)	–	(2,760)	(47,212)
Share of results of associates	18	2	–	–	2	6	–	–	6
(Loss)/profit before tax		13,891	(300,549)	(177)	(286,835)	12,599	(16,604)	(2,760)	(6,765)
Tax	12	3,420	71,394	55	74,869	8,825	2,875	676	12,376
(Loss)/profit for the period		17,311	(229,155)	(122)	(211,966)	21,424	(13,729)	(2,084)	5,611
Earnings per share (p)	14								
Earnings per share – Basic		2.65	(35.37)	(0.02)	(32.74)	3.42	(2.20)	(0.34)	0.88
Earnings per share – Diluted		2.65	(35.37)	(0.02)	(32.74)	3.40	(2.19)	(0.34)	0.87

1. The presentation of the 29 December 2012 exceptional item numbers has been revised to split out separately exceptional operating expenses of £21,824,000 and exceptional impairment of £24,780,000 to be consistent with current year disclosures.

The above revenue and (loss)/profit are derived from continuing operations. The accompanying notes are an integral part of these financial statements.

The comparative period is for the 52 week period ended 29 December 2012.

Group Statement of Comprehensive Income

For the 52 week period ended 28 December 2013

	Revaluation Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
Loss for the period	-	-	(211,966)	(211,966)
Other items of comprehensive loss				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain on defined benefit pension schemes (net of tax) ¹	-	-	28,935	28,935
Total items that will not be reclassified subsequently to profit or loss	-	-	28,935	28,935
Items that may be reclassified subsequently to profit or loss				
Revaluation adjustment	(46)	-	46	-
Exchange differences on translation of foreign operations	-	500	-	500
Deferred tax on exchange differences	-	(188)	-	(188)
Change in deferred tax rate to 20%	-	-	1,131	1,131
Total items that may be reclassified subsequently to profit or loss	(46)	312	1,177	1,443
Total other comprehensive (loss)/profit for the period	(46)	312	30,112	30,378
Total comprehensive loss for the period	(46)	312	(181,854)	(181,588)

For the 52 week period ended 29 December 2012

Profit for the period	-	-	5,611	5,611
Other items of comprehensive loss				
Items that will not be reclassified subsequently to profit or loss				
Actuarial loss on defined benefit pension schemes (net of tax) ¹	-	-	(15,877)	(15,877)
Total items that will not be reclassified subsequently to profit or loss	-	-	(15,877)	(15,877)
Items that may be reclassified subsequently to profit or loss				
Revaluation adjustment	(377)	-	377	-
Exchange differences on translation of foreign operations	-	(645)	-	(645)
Deferred tax on exchange differences	-	133	-	133
Change in deferred tax rate to 23.0%	-	-	(421)	(421)
Total items that may be reclassified subsequently to profit or loss	(377)	(512)	(44)	(933)
Total other comprehensive (loss)/profit for the period	(377)	(512)	(15,921)	(16,810)
Total comprehensive loss for the period	(377)	(512)	(10,310)	(11,199)

1. Relates to actuarial gain of £29,025,000 (2012: loss of £15,877,000) for the Johnston Press Pension Plan (refer Note 24), and a net actuarial loss of £90,000 (2012: £nil) (refer Note 26) for two other pension related liabilities.

Group Statement of Changes in Equity

For the 52 week period ended 28 December 2013

	Share Capital £'000	Share Premium £'000	Share-based Payments Reserve £'000	Revaluation Reserve £'000	Own Shares £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
Opening balances	65,081	502,818	18,959	1,783	(5,589)	9,267	(318,402)	273,917
Total comprehensive loss for the period	-	-	-	(46)	-	312	(181,854)	(181,588)
Recognised directly in equity:								
Preference share dividends paid (Note 13)	-	-	-	-	-	-	(152)	(152)
Share-based payments charge (Note 30)	-	-	512	-	-	-	-	512
Deferred tax on share-based payment transactions	-	-	20	-	-	-	-	20
Share capital issued (Note 27)	4,460	11	-	-	-	-	-	4,471
Release on exercise of warrants	-	-	(5,541)	-	-	-	5,541	-
Release of deferred bonus shares	-	-	(374)	-	374	-	-	-
Own shares purchased	-	-	-	-	(97)	-	-	(97)
Net changes directly in equity	4,460	11	(5,383)	-	277	-	5,389	4,754
Total movements	4,460	11	(5,383)	(46)	277	312	(176,465)	(176,834)
Equity at the end of the period	69,541	502,829	13,576	1,737	(5,312)	9,579	(494,867)	97,083

For the 52 week period ended 29 December 2012

Opening balances	65,081	502,818	17,845	2,160	(5,379)	9,779	(307,940)	284,364
Total comprehensive loss for the period	-	-	-	(377)	-	(512)	(10,310)	(11,199)
Recognised directly in equity:								
Preference share dividends paid (Note 13)	-	-	-	-	-	-	(152)	(152)
Share-based payments charge (Note 30)	-	-	606	-	-	-	-	606
Share warrants issued	-	-	551	-	-	-	-	551
Release of deferred bonus shares	-	-	(43)	-	43	-	-	-
Own shares purchased	-	-	-	-	(253)	-	-	(253)
Net changes directly in equity	-	-	1,114	-	(210)	-	(152)	752
Total movements	-	-	1,114	(377)	(210)	(512)	(10,462)	(10,477)
Equity at the end of the period	65,081	502,818	18,959	1,783	(5,589)	9,267	(318,402)	273,917

The accompanying notes are an integral part of these financial statements.

Group Statement of Financial Position At 28 December 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Intangible assets	15	541,360	742,294
Property, plant and equipment	16	54,181	127,223
Available for sale investments	17	970	970
Interests in associates	18	22	20
Trade and other receivables	21	6	6
Derivative financial instruments	23/32	–	2,742
		596,539	873,255
Current assets			
Assets classified as held for sale	19	6,625	7,601
Inventories	20	2,545	2,850
Trade and other receivables	21	36,718	41,628
Cash and cash equivalents	21	29,075	32,789
Derivative financial instruments	23/32	1,108	155
		76,071	85,023
Total assets		672,610	958,278
Current liabilities			
Trade and other payables	21	74,013	50,934
Current tax liabilities		752	2,947
Retirement benefit obligation	24	5,700	5,700
Borrowings	22/33	8,553	8,520
Derivative financial instruments	23/32	–	99
Short-term provisions	26	1,796	1,327
		90,814	69,527
Non-current liabilities			
Borrowings	22/33	314,863	334,220
Retirement benefit obligation	24	72,634	115,619
Deferred tax liabilities	25	92,776	160,584
Trade and other payables	21	136	142
Long-term provisions	26	4,304	4,269
		484,713	614,834
Total liabilities		575,527	684,361
Net assets		97,083	273,917
Equity			
Share capital	27	69,541	65,081
Share premium account		502,829	502,818
Share-based payments reserve		13,576	18,959
Revaluation reserve		1,737	1,783
Own shares		(5,312)	(5,589)
Translation reserve		9,579	9,267
Retained earnings		(494,867)	(318,402)
Total equity		97,083	273,917

The comparative numbers are as at 29 December 2012.

The financial statements of Johnston Press plc, registered in Scotland (number 15382), were approved by the Board of Directors and authorised for issue on 28 March 2014.

They were signed on its behalf by:



Ashley Highfield
Chief Executive Officer



David King
Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

Group Cash Flow Statement

For the 52 week period ended 28 December 2013

	Notes	2013 £'000	Revised ^{1,3} 2012 £'000
Cash flow from operating activities			
Cash generated from operations ^{2,3}	28	54,537	80,692
Income tax paid		(2,800)	(4,809)
Net cash inflow from operating activities		51,737	75,883
Investing activities			
Interest received		16	120
Dividends received from available for sale investments		378	22
Proceeds on disposal of publishing titles	15	1,965	–
Proceeds on disposal of property, plant and equipment		3,697	8,936
Expenditure on digital intangible assets	15	(3,033)	–
Purchases of property, plant and equipment	16	(4,320)	(5,171)
Net cash (used in)/received from investing activities		(1,297)	3,907
Financing activities			
Dividends paid	13	(152)	(152)
Interest paid ³		(24,803)	(21,837)
Repayment of borrowings		(26,586)	(2,697)
Repayment of loan notes		(6,473)	(23,841)
Financing fees		(514)	(11,826)
Net cash flow from derivatives		–	198
Issue of shares	27	4,471	–
Cash movement relating to own shares held		(97)	(253)
Net cash used in financing activities		(54,154)	(60,408)
Net (decrease)/increase in cash and cash equivalents		(3,714)	19,382
Cash and cash equivalents at the beginning of period		32,789	13,407
Cash and cash equivalents at the end of the period		29,075	32,789

1. The presentation of the 29 December 2012 'cash generated from operations' number has been revised to be consistent with current year disclosures.

2. Includes exceptional cash receipts of £10.0 million (2012: £30.0 million) due to the termination of the News International printing contract in 2012 and 2013.

3. Interest paid in 2012 has been revised to include £4,594,000 that in the prior year was incorrectly classified as 'cash generated from operations'. A subsequent amendment has also been made to Note 28 (refer therein). This adjustment did not in any way impact the prior year income statement, assets, liabilities or equity and is purely presentational in nature.

The comparative period is for the 52 week period ended 29 December 2012.

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013

1. General Information

Johnston Press plc ('Johnston Press' or 'the Group') is a limited liability Company incorporated in Scotland under the Companies Act 2006 and listed on the London Stock Exchange. The address of the registered office is 108 Holyrood Road, Edinburgh, EH8 8AS. The principal activities of the Group are discussed in the Operational and Financial Review sections of the Strategic Report.

2. Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Committee (IFRIC) interpretations as adopted by the European Union and comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 applicable to Groups reporting under IFRS that are effective for the 52 week period ended 28 December 2013.

These financial statements have been prepared on a going concern basis (discussed further in the Financial Review on page 31) and under the historical cost convention, except for the revaluation of certain properties and financial instruments, share-based payments and defined benefit pension obligations that are measured at revalued amounts or fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies applied in the preparation of the financial information presented in this document are set out below. These policies have been applied consistently to the periods presented unless otherwise stated.

Adoption of new or amended standards and interpretations in the current year

The following new and revised Standards and Interpretations have been adopted for the 52 week period ended 28 December 2013. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

- IAS 1 (amended) Presentation of Items of Other Comprehensive Income;
- IFRS 1 (amended) First time adoption of IFRS – Government Loans;
- IFRS 1 (amended) First time adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters;
- IAS 12 (amended) Deferred Tax: Recovery of Underlying Assets;
- IFRS 7 (amended) Disclosures – Offsetting Financial Assets and Financial Liabilities;
- IAS 32 (amended) Offsetting Financial Assets and Financial Liabilities.
- Annual Improvements to IFRS 2009 – 2011 Cycle:
 - IFRS 10 Consolidated Financial Statements;
 - IFRS 11 Joint Arrangements;
 - IFRS 12 Disclosure of Interests in Other Entities;
 - IAS 27 (revised) Separate Financial Statements;
 - IAS 28 (revised) Investments in Associates and Joint Ventures.

The following new standards, amendments to standards and interpretations that are expected to impact the Group, which have not been applied in these financial statements, were in issue, and endorsed and applicable to reporting periods commencing from 1 January 2013. These standards will be applied to the financial statements for the 53 week period commencing from 29 December 2013:

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

IAS 19 (revised 2011) – Employee benefits: is effective for annual periods beginning on or after 1 January 2013. The key changes are the deferral of actuarial gains and losses will no longer be permitted and the deficit should be recognised in full on the balance sheet (subject to any restrictions in IFRIC 14); the finance cost, which is currently the difference between the interest on liabilities and expected return on assets will be replaced by a net interest cost. In most cases the finance cost will increase as the expected return on assets will effectively be based on the discount rate (i.e. the returns available on AA-rated corporate bonds) with no allowance made for any outperformance expected from the Plan's actual asset holding. More disclosure will be required about the risks posed by the Plan. Had the Standard been applied in the current financial year, the Group's loss before tax would have been reduced by approximately £5.2 million.

IFRS 13 Fair Value Measurement: is mandatory for annual periods beginning on or after 1 January 2013 with earlier application permitted. Once adopted, IFRS 13 Fair Value Measurement applies whenever another IFRS requires or permits fair value measurements, or disclosures about fair value measurements, with some limited exceptions. The IFRS also applies to measurements such as fair value less costs to sell that are clearly based upon fair value, as well as to disclosures about such items. IFRS 13 provides a consistent framework with a single definition of fair value as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. IFRS 13 includes extensive disclosure requirements. The impact on the amounts recognised in the consolidated financial statements has not yet been assessed.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been endorsed by the EU).

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (endorsed 20 November 2013);
- IAS 36 (amendments) – Recoverable Amount Disclosures for Non-Financial Assets (endorsed 19 December 2013);
- IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (endorsed 19 December 2013);
- IFRIC 21 – Levies (Issued 20 May 2013, endorsement expected Q2 '14 to be effective 1 January 2014);
- IFRS 9 Financial Instruments amendments (Issued 19 November 2013, endorsement postponed). IFRS 9 will impact the presentation of certain disclosures in the financial statements;
- IFRS 14 Regulatory Deferral Accounts (Issued 30 January 2014, endorsement expected Q1 '15 to be effective 1 January 2016);
- Annual Improvements to IFRS's 2010 – 2012 Cycle (Issued 12 December 2013, endorsement expected Q4 '14);
- Annual Improvements to IFRS's 2011 – 2013 Cycle (Issued 12 December 2013, endorsement expected Q4 '14).

The directors do not expect that the adoption of the standards listed will have a material impact on the financial statements of the Group in future periods.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The Group continues to assess the impact of adopting the above new or amended standards and interpretations in future accounting periods.

3. Significant Accounting Policies

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 the Saturday closest to 31 December each year for either a 52 or 53 week period. 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.

Basis of preparation

The Group's business activities, together with factors likely to affect its future development, performance and financial position and commentary on the Group's financial results, its cash flows, liquidity requirements and borrowing facilities are set out in the Financial Review on pages 24 to 31. In addition, Note 32 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to liquidity risk and credit risk.

The financial statements have been prepared for the 52 week period ended 28 December 2013. The 2012 information relates to the 52 week period ended 29 December 2012.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

3. Significant Accounting Policies (continued)

The Group's bank facilities and private placement loan notes contain three quarterly covenant tests, Consolidated EBITDA to Consolidated Net Borrowing Costs, Consolidated Net Borrowings to Consolidated EBITDA, and Consolidated Net Cash Flow to Total Debt Service, in addition to a Consolidated Net Worth covenant which is tested at the half year and year end. In December 2013 the Company and its lenders agreed to reset financial covenants until September 2015, providing the Company with the opportunity to pursue a full refinancing in 2014. When tested throughout the year and at 28 December 2013, the covenants were all met.

The Group has continued to report improving trends in underlying profitability, has reduced its net debt from £319.3m at 29 December 2012 to £302.0m at 28 December 2013, and is now exploring the opportunity to repay its existing bank facilities and private placement loan notes, through a combined debt and equity capital refinancing during 2014.

The Board has undertaken a recent and thorough review of its forecasts and associated risks. These forecasts extend for a period of 12 months from the date of approval of these financial statements and demonstrate anticipated compliance with financial covenants over this forecast period, albeit with limited headroom. The Directors are satisfied that it is reasonable to adopt the going concern basis of accounting following this review, further details of which are set out below.

The forecasts make key assumptions, based on information available to the Directors, on a number of items including:

- External advertising forecasts;
- current print advertising run rates;
- growth in digital revenues;
- the impact of newspaper cover price increases on circulation revenues;
- existing and planned cost reduction measures;
- planned disposals of non-strategic assets;
- projected debt service and interest costs over the next 12 months;
- expected future cost of the PPF levy; and
- the levels of advisory fees and other costs incurred in exploring refinancing if it were subsequently delayed or aborted.

The Directors recognise that some of the assumptions referred to above are not within the Group's control, and around which therefore there remains some uncertainty. Good progress has been and continues to be made against all of the key assumptions: the overall economic environment is improving, digital revenues are growing strongly, circulation revenues are stabilising, cost savings targets have been met, good progress has been made on planned asset disposals, and debt reduction continued, as evidenced by underlying increases in operating profits and margins, and debt reduction.

The risks described are not new. However, in the event that a number of the following were to happen concurrently, before the Group has successfully refinanced – a deteriorating economic climate, a lack of successful execution of the strategy by the Group, the delay or inability to continue to make cost savings, unexpected increase in raw materials, a lack of success or delays in completing the sale of non-core property and other assets and the Group incurred significant additional adviser and other costs in connection with a refinancing without the benefit of a successful refinancing – and thus the Group were to breach its financial covenants, then this would give lenders, acting in their majority, the ability to demand repayment of the facilities. As discussed, the Group has renegotiated its covenants and is in constructive discussion with its existing lenders and Pension Trustees with a view to achieving a successful refinancing during 2014.

Despite the covenant reset, the Group forecasts show limited headroom and therefore in accordance with Accounting Standards and the UK Financial Reporting Council guidance for Directors on going concern, it is appropriate for the Directors to recognise a material uncertainty, which may give rise to significant doubt over the Group's and the Company's ability to continue as a going concern, and if the majority of lenders chose to exercise their rights in such an event, the Group and the Company may be unable to realise assets and discharge their liabilities in the normal course of business. The consolidated financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Nevertheless, after making enquiries and considering the uncertainties above, the Directors have a reasonable expectation that the Group and the Company will continue to trade within the terms of its existing financial arrangements and will have adequate resources to continue operating in the normal course of business for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the consolidated and parent company financial statements.

Exceptional items

Items which are deemed to be exceptional by virtue of their nature or size are included under the statutory classification appropriate to their nature but are separately disclosed on the face of the Group Income Statement to assist in understanding the financial performance of the Group.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition 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. Acquisition-related costs are recognised in the Income Statement as incurred. 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 sale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Investment in associates

An associate is an entity over which the Group is in a position to exercise significant influence and is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these Group financial statements using the equity method of accounting. Investments in associates are carried in the Group Statement of Financial Position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Publishing titles

The Group's principal intangible assets are publishing titles. The Group does not capitalise internally generated 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 the Directors' valuation at the date of acquisition. These publishing titles have no finite life and consequently are not amortised. The carrying value of the titles is reviewed for impairment at least annually with testing undertaken 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 is based on the net present value of estimated future cash flows. Any impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Group Income Statement given these assets are not carried at revalued amounts.

For the purpose of impairment testing, publishing titles are allocated to each of the Group's cash generating units. Cash generating units are tested for impairment annually, 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 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.

Other intangible assets

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received 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.

Print advertising revenue is recognised on publication and circulation revenue is recognised at the point of sale. Digital revenues are recognised on publication for advertising or delivery of service for other digital revenues. Printing revenue is recognised when the service is provided.

Foreign currencies

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

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each period end, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the close of business on the last working day of the period. 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 carried at historical cost in respect of which gains and losses are 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 period end 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 translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

3. Significant Accounting Policies (continued)

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	6.67%, 10%, 20%, 25% and 33% straight-line basis
Motor vehicles	25% straight-line basis

Assets classified as held for sale

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale. Where the sale is expected to qualify for recognition as a completed sale within one year from the date of classification, the assets are shown as current and when the sale is anticipated to complete more than one year from date of classification the assets are shown as non-current.

Inventories

Inventories are stated at the lower of cost and net realisable value. 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 Statement of Financial Position 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, plus transaction costs.

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 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 period end 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.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

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 and caps, cross currency swaps, foreign exchange options and forward foreign exchange contracts. Further details of derivative financial instruments are given in Note 32.

The Group re-measures each derivative at its fair value at the period end date with the resultant gain or loss being recognised in profit or loss immediately. All such changes in the fair value of the Group's derivatives are shown in a separate column on the face of the Group Income Statement.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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 the host contracts and the host contracts are not measured at fair value with the changes in fair value recognised in profit or loss.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

The Company has issued share warrants over 12.5% of its issued share capital to lenders (with 5.0% issued 28 August 2009, 2.5% issued 24 April 2012 and 5.0% issued 21 September 2012). All of the share warrants have an exercise price of 10p and expire 30 September 2017. The warrant instruments will be settled by the Company delivering a fixed number of ordinary shares and receiving a fixed amount of cash in return and so qualify as equity under IAS 39. The Binomial Option pricing model was used to assess the fair value of the share warrants issued in the financial year that they were issued. See Note 27 for details of warrants exercised during the period.

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 premium 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. Fees incurred in negotiating borrowings are held on the Statement of Financial Position and amortised to the Income Statement over the term of the underlying debt.

Leases

Rentals payable under operating leases are charged to the Group Income Statement on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the term of the lease.

Operating (loss)/profit

Operating (loss)/profit is stated after charging restructuring or other exceptional costs but before investment income, other finance income, finance costs and the share of the results of associates.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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 period end 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.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

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 other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 period end 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 Comprehensive Income. 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 Statement of Financial Position 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. 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).

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Exceptional items

Exceptional items include significant transactions such as the costs associated with restructuring of businesses along with material items including for example revenue received on the termination of significant print contracts, significant pension related costs, the disposal of a significant property directly linked to restructuring and impairment of intangible and tangible assets together with the associated tax impact. The Company considers such items are material to the Income Statement and their separate disclosure is necessary for an appropriate understanding of the Group's financial performance. These items have been presented as a separate column in the Group Income Statement.

Valuation of publishing titles on acquisition

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 publishing titles are considered to have indefinite economic lives due to the historic longevity of the brands and the ability to evolve the brands in the changing media environment.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

Assets held for sale

Where a property or a significant item of equipment (such as a print press or property no longer required as part of Group operations) is marketed for sale, management is highly committed to the sale and the asset is available for immediate sale, the Group classifies that asset as held for sale. If the asset is expected to be sold within twelve months, the asset is classed as a current asset. The value of the asset is held at the lower of the net book value or the expected realisable sale value.

The Directors' have estimated the sale values based on the current price that the asset is being marketed at and advice from independent property agents. The actual sale proceeds may differ from the estimate.

Provisions for onerous leases and dilapidations

Where the Group exits a rented property, an estimate of the anticipated total future cost payable under the terms of the operating lease, including rentals, rates and other related expenses, is charged to the Income Statement at the point of exit as an onerous lease. Where there is a break clause in the contract, rentals are provided for up to that point. In addition, an estimate is made of the likelihood of sub-letting the premises and any rentals that would be receivable from a sub tenant. Where receipt of sub-lease rentals is considered reasonable, these amounts are deducted from the rentals payable by the Group under the lease and provision charged for the net amount.

Under the terms of a number of property leases, the Group is required to return the property to its original condition at the lease expiry date. The Group has estimated the expected costs of these dilapidations and charged these costs to the Income Statement. No discounting has been applied to the provision as the effect of the discounting is not considered material.

Valuation of share-based payments

The Group estimates the expected value of equity-settled share-based payments and this is charged through the Income Statement over the vesting periods of the relevant awards. 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 30 and are amended to take account of estimated levels of share vesting and exercise.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the period end 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 publishing titles and print presses

Determining whether publishing titles are impaired requires an estimation of the value in use of the cash generating units (CGUs) to which these assets are allocated. Key areas of judgement in the value in use calculation include the identification of appropriate CGUs, estimation of future cash flows expected to arise from each CGU, the long-term growth rates and a suitable discount rate to apply to cash flows in order to calculate present value. The Group has identified its CGUs based on the seven geographic regions in which it operates. This is considered to be the lowest level at which cash inflows generated are largely independent of the cash inflows from other groups of assets and has been consistently applied in the current and prior periods. £202.4 million impairment loss has been recognised in 2013 (2012: nil). The carrying value of publishing titles at 28 December 2013 was £538.5 million (2012: £742.3 million). Details of the impairment reviews that the Group performs are provided in Note 15.

Determining whether print presses are impaired requires an estimation of the value in use of each print site. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the print sites and a suitable discount rate in order to calculate present value (Note 16).

Valuation of pension liabilities

The Group records in its Statement of Financial Position 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 of factors, some of which are outside 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, determined each year from the yield on corporate bonds;
- the actual returns on investments experienced as compared to the expected rates used in the previous valuation;
- the actual rates of salary and pension increase as compared to the expected rates used in the previous valuation;
- the forecast inflation rate experienced as compared to the expected rates used in the previous valuation; and
- mortality assumptions.

Details of the assumptions used to determine the liability at 28 December 2013 are set out in Note 24.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

5. Business Segments

Information reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance is focussed on the two areas of Publishing (in print and online) and Contract Printing. Geographical segments are not presented as the primary segment is the UK which is greater than 90% of Group activities.

6. Segment Information

a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Publishing 2013 £'000	Contract printing 2013 £'000	Eliminations 2013 £'000	Group 2013 £'000	Revised ¹			
	Publishing 2012 £'000	Contract printing 2012 £'000	Eliminations 2012 £'000	Group 2012 £'000				
Revenue								
Print advertising	157,057	-	-	157,057	181,257	-	-	181,257
Digital advertising	24,529	-	-	24,529	20,606	-	-	20,606
Newspaper sales	87,658	-	-	87,658	91,763	-	-	91,763
Contract printing	-	11,206	-	11,206	-	18,371	-	18,371
Other	10,759	1,590	-	12,349	14,812	1,882	-	16,694
Total external sales	280,003	12,796	-	292,799	308,438	20,253	-	328,691
Inter-segment sales ²	-	39,436	(39,436)	-	-	53,019	(53,019)	-
Exceptionals	-	10,000	-	10,000	-	30,000	-	30,000
Total revenue	280,003	62,232	(39,436)	302,799	308,438	103,272	(53,019)	358,691
Operating (loss)/profit								
Segment result before exceptional items	50,495	4,384	-	54,879	51,554	5,491	-	57,045
Exceptional items	(246,458)	(54,091)	-	(300,549)	(22,667)	6,063	-	(16,604)
Net segment result	(195,963)	(49,707)	-	(245,670)	28,887	11,554	-	40,441
Investment income				394				148
Net finance expense on pension assets/liabilities				(1,576)				(2,471)
IAS 21/39 adjustments				(177)				(2,760)
Finance costs				(39,808)				(42,129)
Share of results of associates				2				6
Loss before tax				(286,835)				(6,765)
Tax				74,869				12,376
(Loss)/profit for the period				(211,966)				5,611

1. The presentation of the 29 December 2012 exceptional item numbers has been revised to be consistent with current year disclosures.

2. Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. The segment result represents the (loss)/profit earned by each segment without allocation of the share of results of associates, investment income, finance costs (including in relation to pension assets and liabilities) and income tax expense. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

b) Segment assets

	2013 £'000	2012 £'000
Assets		
Publishing	638,679	855,372
Contract printing	32,823	99,039
Total segment assets	671,502	954,411
Unallocated assets	1,108	3,867
Consolidated total assets	672,610	958,278

For the purposes of monitoring segment performance and allocating resources between segments, the Group's Chief Executive Officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of available-for-sale investments and derivative financial instruments.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

c) Other segment information

	Publishing 2013 £'000	Contract printing 2013 £'000	Group 2013 £'000	Publishing 2012 £'000	Contract printing 2012 £'000	Group 2012 £'000
Additions to property, plant and equipment	4,320	–	4,320	4,912	180	5,092
Depreciation and amortisation expense	4,108	3,644	7,752	5,077	7,638	12,715
Impairment of property, plant and equipment	1,443	62,252	63,695	–	17,239	17,329
Net impairment of intangibles	202,427	–	202,427	–	–	–

7. Exceptional Items

	2013 £'000	2012 £'000
Revenue		
Termination of print contract	10,000	30,000
Total revenue – exceptional items	10,000	30,000
Operating expenses		
Operating expenses – pensions		
Pension protection fund contribution	(4,408)	–
Section 75 pension debt	(1,268)	–
IAS 19 past service gain (Note 24)	–	1,540
Operating expenses – restructuring costs		
Redundancy costs	(24,444)	(21,582)
Lease termination costs, empty property and dilapidations	(5,843)	(1,610)
Other restructuring costs	(2,773)	(1,211)
Operating expenses – gain on disposal		
Gain on sale of assets	199	986
Operating expenses – other	(1,219)	53
Total exceptional expenses	(39,756)	(21,824)
Impairment of intangible assets, property, plant and equipment and assets held for sale		
Intangible assets (Note 15)	(202,427)	–
Property, plant and equipment (Note 16)	(63,695)	(17,239)
Assets held for sale (Note 19)	(4,671)	(7,541)
Total impairment of intangible assets, property, plant and equipment and assets held for sale	(270,793)	(24,780)
Total operating expenses and impairment	(310,549)	(46,604)
Total exceptional items	(300,549)	(16,604)

Revenue

The Group has recognised revenue of £10.0 million (2012: £30.0 million) during the period as a result of a termination fee payable on the final aspect of a long-term contract with News International. The prior year income represents an earlier termination of aspects of the contract.

Operating expenses – pensions

During 2013, the pension regulator has requested payment of PPF levies amounting to £3.1 million and £3.2 million for the years ending 31 March 2013 and 31 March 2014 respectively, £1.3 million of which will be settled by the Johnston Press Pension Plan, leaving £6.3 million (2012: nil) payable by the Company, in accordance with the agreed Schedule of Contributions £4.4 million has been charged to the income statement for the period to 28 December 2013. Additionally, the Group incurred a Section 75 debt amounting to £1.3 million (2012: nil) following the wind up of certain companies in prior years. In 2012, the Group offered a number of existing pensioners the opportunity to take part in a pension exchange where, for a higher pension today, they forgo a proportion of future increases. This resulted in a gain of £1.5 million.

Operating expenses – restructuring costs

Restructuring costs primarily relate to various reorganisation processes designed to reduce the size and cost of overhead functions (2013: £24.4 million, 2012: £21.6), early lease termination costs (2013: £3.0 million, 2012: £nil), empty property costs (2013: £1.4 million, 2012: £1.4 million), dilapidations (2013: £1.4 million, 2012: £0.2 million) and other associated legal and consulting fees (2013: £2.8 million, 2012: £1.2 million).

Operating expenses – gain on disposal

During 2012, the Group recognised a gain of £1.0 million from the disposal of a significant property.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

7. Exceptional Items (continued)

Operating expenses – other

The Group incurred other operating expenses of £0.7 million (2012: £nil) relating to legal fees for refinancing costs, £0.5 million (2012: £nil) relating to legal fees for an aborted disposal.

Impairment of intangible assets, property, plant and equipment and assets held for sale

In the period ended 28 December 2013, an impairment of £202.4 million (2012: nil) was recognised by the Group for publishing titles largely due to changes in the discount and growth rate assumptions applicable to the business and sector as a whole. The Group also incurred charges for write down in the value of presses and property assets (2013: £68.4 million, 2012: £24.8 million) brought about as a result of structural rationalisations, increased centralisation, divisional and title reorganisations and closures of certain internal operations such as print presses.

Tax-effect of exceptional items

The Group has disclosed a £71.3 million tax credit in relation to the total exceptional items of £300.5 million. The tax credit is primarily attributable to the deferred tax adjustment relating to the impairment of intangible assets of £64.6 million (including credit relating to reduction in deferred tax rate to 20%), and deductible restructuring costs tax credit of £7.7 million.

8. Operating (Loss)/Profit

	2013 £'000	2012 £'000
Operating (loss)/profit is shown after charging/(crediting):		
Depreciation of property, plant and equipment (Note 16)	7,543	12,715
Exceptional write down in value of presses (Note 16)	63,695	17,239
Write down of assets classified as held for sale (Note 19)		
Exceptionals	4,671	7,541
Operating	–	276
Profit on disposal of property, plant and equipment:		
Operating disposals	(1,068)	(695)
Exceptional disposals	(199)	(986)
Assets held for sale disposals	–	(390)
Movement in allowance for doubtful debts (Note 21)	(1,019)	(2,069)
Staff costs excluding redundancy costs (Note 9)	113,461	131,526
Redundancy costs (Note 9)	24,444	21,582
Auditor's remuneration:		
Audit services		
Company and Group accounts	173	120
Subsidiaries	240	240
Operating lease charges:		
Plant and machinery	1,887	1,847
Other	5,040	3,841
Rentals received on sub-let property	(115)	(221)
Net foreign exchange gains	(146)	(59)
Cost of inventories recognised as expense	27,720	36,111
Write down of inventories	–	647

Profit on disposal of property, plant and equipment – operating disposals

The Group operates a large portfolio of properties, and regularly exits and renews leases, as well as sale and leaseback of freehold properties.

Profits of £0.6 million in 2013 (2012: £0.7 million) were included in operating profits from property sales. There were nine such sales in 2013.

Similar profits are expected to be earned in 2014.

Staff costs shown above include £1,410,000 (2012: £2,284,000) relating to remuneration of Directors. In addition to the auditor's remuneration shown above, the auditor received the following fees for non-audit services.

	2013 £'000	2012 £'000
Audit-related assurance services	55	95
Taxation compliance services	68	49
Other taxation advisory services	5	28
Other services	6	69
	134	241

All non-audit services were approved by the Audit Committee. The Audit Committee considers that these non-audit services have not impacted the independence of the audit process. In addition, an amount of £19,000 (2012: £19,000) was paid to the external auditor for the audit of the Group's pension scheme.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

9. Employees

The average monthly number of employees, including Executive Directors, was:

	2013 No.	2012 No.
Editorial and photographic	1,577	1,786
Sales and distribution	1,891	2,134
Production	418	551
Administration	302	326
Average number of employees	4,188	4,797
	£'000	£'000
Staff costs:		
Wages and salaries	99,247	113,901
Social security costs	9,152	10,295
Redundancy costs	24,444	21,582
Other pension costs ¹	4,550	6,724
Cost of share-based awards (Note 30)	512	606
Total staff costs	137,905	153,108

1. Other pension costs relates to Company pension contributions to the defined contribution scheme. Refer Note 24.

Full details of the Directors' emoluments, pension benefits and share options are included in the audited part of the Directors' Remuneration Report on pages 61 to 67.

10. Investment Income

	2013 £'000	2012 £'000
Income from available for sale investments	378	22
Interest receivable	16	126
	394	148

11. Finance Costs

	2013 £'000	2012 £'000
a) Net finance expense on pension assets/liabilities		
Interest on pension liabilities (Note 24)	22,227	22,708
Expected return on pension assets (Note 24)	(20,651)	(20,237)
	1,576	2,471
b) Finance costs		
Interest on bank overdrafts and loans	23,504	26,944
Payment-in-kind interest accrual	12,148	11,048
Amortisation of term debt issue costs	4,156	4,137
	39,808	42,129

Refer to Note 22 for further details.

c) IAS 21/39 items

All movements in the fair value of derivative financial instruments are recorded in the Income Statement. In the current period, this movement was a net charge of £1.7 million (2012: charge of £7.3 million), consisting of a realised net credit of £nil million (2012: £0.2 million) and an unrealised charge of £1.7 million (2012: £7.5 million). The retranslation of foreign denominated debt at the period end resulted in a net credit of £1.5 million (2012: £4.5 million) being recorded in the Income Statement. The retranslation of the Euro denominated publishing titles held at fair value is shown in the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

12. Tax

	2013 £'000	2012 £'000
Current tax		
Charge for the period	–	3,541
Adjustment in respect of prior periods	617	130
	617	3,671
Deferred tax (Note 25)		
Credit for the period	(12,693)	(4,168)
Adjustment in respect of prior periods	(1,629)	191
Deferred tax adjustment relating to the impairment of publishing titles	(41,667)	–
Credit relating to reduction in deferred tax rate to 20% (2012: 23.0%)	(19,497)	(12,070)
	(75,486)	(16,047)
Total tax credit for the period	(74,869)	(12,376)

UK corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable loss for the period. The 23.25% basic tax rate applied for the 2013 period was a blended rate due to the tax rate of 24.0% in effect for the first quarter of 2013, changing to 23.0% from 1 April 2013 under the 2012 Finance Act. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction. The Group has recognised a £19.5 million tax credit as a result of the change to the UK deferred tax rate from 23% to 20%, being the substantively enacted rate at the balance sheet date.

The tax credit for the period can be reconciled to the loss per the Income Statement as follows:

	2013 £'000	%	2012 £'000	%
Loss before tax	(286,835)	100.0	(6,765)	100.0
Tax at 23.25% (2012: 24.5%)	(66,689)	23.3	(1,657)	24.5
Tax effect of expenses that are non-deductible in determining taxable profit	7,125	(2.5)	2,130	(31.5)
Tax effect of income that is non-taxable in determining taxable profit	–	–	(793)	11.7
Tax effect of investment income	(88)	–	(5)	–
Effect of other tax rates	2,780	(1.0)	(302)	(4.5)
Adjustment in respect of prior periods	(1,008)	0.4	321	(4.7)
Unrecognised deferred tax assets	2,508	(0.9)	–	–
Effect of reduction in deferred tax rate to 20.0% (2012: 23.0%)	(19,497)	6.8	(12,070)	178.4
Tax credit for the period and effective rate	(74,869)	26.1	(12,376)	182.8

13. Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the period:		
Preference Dividends		
13.75% Cumulative Preference Shares (13.75p per share)	104	104
13.75% 'A' Preference Shares (13.75p per share)	48	48
	152	152

No ordinary dividend is to be recommended to shareholders at the Annual General Meeting making a total for 2013 of £nil (2012: £nil).

The Directors have been advised that certain distributions made on the 13.75% Cumulative Preference Shares and 13.75% 'A' Cumulative Preference Shares in the financial years ending 28 December 2013, 29 December 2012 and 31 December 2011 and in the period ended June 2012 have been made without fully complying with the relevant requirements of the Companies Act 2006. A course of action has been determined to remedy this position without the Company pursuing any rights that it may have to seek repayment of the relevant funds. Further details of this course of action will be put to shareholders in due course.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

14. Earnings per Share

The calculation of earnings per share is based on the following (losses)/profits and weighted average number of shares:

	2013 £'000	2012 £'000
Earnings		
(Loss)/profit for the period	(211,966)	5,611
Preference dividend	(152)	(152)
Earnings for the purposes of basic and diluted earnings per share	(212,118)	5,459
Exceptional and IAS 21/39 items (after tax)	229,277	15,813
Earnings for the purposes of adjusted earnings per share	17,159	21,272
	2013 No. of shares	2012 No. of shares
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	647,803,578	621,758,744
Effect of dilutive potential ordinary shares:		
– warrants and employee share options	–	2,594,333
– deferred bonus shares	–	1,788,822
Number of shares for the purposes of diluted earnings per share	647,803,578	626,141,899
Earnings per share (p)		
Basic	(32.74)	0.88
Adjusted	2.65	3.42
Diluted – see below	(32.74)	0.87

The weighted average number of ordinary shares above are shown excluding own shares held. Adjusted EPS figures are presented to show the effect of excluding exceptional and IAS 21/39 items from earnings per share. Diluted earnings per share are presented when a company could be called upon to issue shares that would decrease net profit or increase loss per share.

As explained in Note 27, the preference shares qualify as 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.

15. Intangible Assets

	Publishing titles £'000	Digital intangible assets £'000	Total £'000
Cost			
Opening balance	1,308,677	–	1,308,677
Additions	–	3,033	3,033
Disposals	(7,034)	–	(7,034)
Exchange movements	634	–	634
Closing balance	1,302,277	3,033	1,305,310
Accumulated impairment losses and amortisation			
Opening balance	566,383	–	566,383
Amortisation for the period	–	209	209
Disposals	(5,069)	–	(5,069)
Impairment losses for the period	202,427	–	202,427
Closing balance	763,741	209	763,950
Carrying amount			
Opening balance	742,294	–	742,294
Closing balance	538,536	2,824	541,360

The exchange movement above reflects the impact of the exchange rate on the valuation of publishing titles denominated in Euros at the period end date.

During 2013, the Group disposed of Petersfield Post, Goole Courier and Selby Times publishing titles for total consideration of £1.9 million. At the time of disposal, the Directors assessed these titles were held at their fair value due to previous impairment write downs incurred.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

15. Intangible Assets (continued)

Publishing titles

The carrying amount of publishing titles by cash generating unit (CGU) is as follows:

	2012 £'000	Impairment £'000	Disposal £'000	Translation £'000	2013 £'000
Scotland	56,013	(3,886)	–	–	52,127
North	272,190	(53,418)	(1,541)	–	217,231
Northwest	93,201	(31,689)	–	–	61,512
Midlands	168,190	(48,108)	–	–	120,082
South	60,602	(13,887)	(424)	–	46,291
Northern Ireland	73,422	(37,597)	–	62	35,887
Republic of Ireland	18,676	(13,842)	–	572	5,406
Total carrying amount of publishing titles	742,294	(202,427)	(1,965)	634	538,536

The Group tests the carrying value of publishing titles held within the publishing operating segment for impairment annually or more frequently if there are indications that they might be impaired. The publishing titles are grouped by CGUs, being the lowest levels for which there are separately identifiable cash flows independent of the cash inflows from other groups of assets.

The recoverable amounts of the CGUs are determined from value in use calculations, with the exception of the Republic of Ireland publishing titles which are valued at fair value less cost of sales, due to the intended disposal of these publishing titles. The publishing titles have not been reported as assets held for sale as the completion of the transaction does not meet the strict criteria to deem it highly probable. The key assumptions for the value in use calculations are:

- The discount rate;
- expected changes to underlying revenues and direct costs during the period; and
- growth rates.

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 applied to future cash flows in 2013 was 12% (2012: 11.0%) for the CGUs in the United Kingdom and 15.9% (2012: 11%) for the CGU in the Republic of Ireland. The discount rate reflects management's view of the current risk profile of the underlying assets being valued with regard to the current economic environment and the risks that the regional media industry is facing.

Changes in underlying revenue and direct costs are based on past practices and expectations of future changes in the market. These include changes in demand for print and digital, circulation, cover prices, advertising rates as well as movement in newsprint and production costs and inflation.

Discounted cash flow forecasts are prepared using:

- The most recent financial budgets and projections approved by management for 2014 which reflect management's current experience and future expectations of the markets the CGUs operate in;
- net cash inflows for 2015 to 2033 that are extrapolated based on an estimated annual long-term growth rate of 1.0%;
- a discounted residual value of 5 times the final year's cash flow; and
- capital expenditure cash flows to reflect the cycle of capital investment required.

The present value of the cash flows is then compared to the carrying value of the asset to determine if there is any impairment loss.

The total net impairment charge recognised in 2013 was £202.4 million (2012: net impairment charge of £nil). The impairment charge for the period comprises £53.4 million in the North, £48.1 million in Midlands, £37.6 million in Northern Ireland, £31.7 million in the Northwest, £13.9 million in the South, £13.8 million in the Republic of Ireland and £3.9 million in Scotland.

The Group has conducted sensitivity analysis on the impairment test of each CGU's carrying value. A decrease in the long term growth rate of 0.5% would result in an impairment for the Group of £10.3 million and an increase in the discount rate of 0.5% would result in an impairment of £20.0 million.

	Growth rate sensitivity £'000	Discount rate sensitivity £'000
Scotland	1,092	2,110
North	3,997	7,720
Northwest	1,081	2,087
Midlands	2,114	4,084
South	1,098	2,121
Northern Ireland	734	1,417
Republic of Ireland	219	461
Total potential impairment from sensitivity analysis	10,335	20,000

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

Digital intangible assets

Digital intangible assets primarily relates to the new design of the Group's 196 local websites and the development of a Customer Relationship Management (CRM) capability. The websites form the core platform for the Group's digital revenue activities whereas the CRM capability will enable the Group to accelerate the growth of its subscriber base. These assets are being amortised over a period of three years. Amortisation for the year has been charged through cost of sales.

16. Property, Plant and Equipment

	Freehold land and buildings £'000	Leasehold buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost					
At 31 December 2011	92,678	4,391	219,292	10,167	326,528
Additions	–	1,258	3,829	5	5,092
Disposals	(2,904)	(55)	(58,659)	(4,180)	(65,798)
Transferred to assets held for sale during the period	(20,968)	–	(20,607)	–	(41,575)
Exchange differences	(14)	–	(53)	(9)	(76)
At 29 December 2012	68,792	5,594	143,802	5,983	224,171
Additions	–	649	3,671	–	4,320
Disposals	–	(13)	(22,458)	(1,147)	(23,618)
Transferred to assets held for sale during the period	(5,011)	(81)	(786)	–	(5,878)
Reclassification	(11)	98	(87)	–	–
Exchange differences	12	–	43	5	60
At 28 December 2013	63,782	6,247	124,185	4,841	199,055
Depreciation					
At 31 December 2011	13,848	1,746	130,120	9,660	155,374
Disposals	(964)	(55)	(56,539)	(4,156)	(61,714)
Charge for the period	3,954	168	8,214	379	12,715
Exceptional write down in period	–	–	17,239	–	17,239
Transferred to assets held for sale during the period	(6,707)	–	(19,886)	–	(26,593)
Exchange differences	(27)	–	(38)	(8)	(73)
At 29 December 2012	10,104	1,859	79,110	5,875	96,948
Disposals	–	(12)	(22,108)	(1,145)	(23,265)
Charge for the period	990	173	6,296	84	7,543
Exceptional write down in period	25,566	444	37,685	–	63,695
Transferred to assets held for sale during the period	(673)	1,364	(800)	–	(109)
Reclassification	(145)	9	136	–	–
Exchange differences	17	(1)	42	4	62
At 28 December 2013	35,859	3,836	100,361	4,818	144,874
Carrying amount					
At 29 December 2012	58,688	3,735	64,692	108	127,223
At 28 December 2013	27,923	2,411	23,824	23	54,181

During the period, as a result of structural rationalisations, increased centralisation, divisional and title reorganisations and closure of specific operations particularly presses, the Group carried out a review of the recoverable amount of its print manufacturing plant and related equipment. These assets are used in the Group's print segment. The review led to the recognition of an impairment loss of £62.3 million which has been recognised in the Income Statement. The Group also estimated the fair value less costs to sell of its print plant and related equipment, which is based on the recent market prices of assets with similar age and obsolescence. The fair value less costs to sell is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 12% per annum.

Additional impairment losses recognised in respect of property, plant and equipment in the period amounted to £1.4 million. These losses reflect the Group's future expected use of the asset, resulting in value in use reflecting the cash flows from proposed disposal of the asset. Those assets have been impaired in full and belong to the Group's publishing segment. The impairment losses have been included in the Income Statement in the cost of sales line item.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

17. Available for Sale Investments

The Group's available for sale investments are:

	2013 £'000	2012 £'000
Listed investments at fair value	2	2
Unlisted investments		
Cost	4,494	4,494
Provision for impairment	(3,526)	(3,526)
Unlisted investments carrying amount	968	968
Total investments	970	970

Listed investments at fair value represents investments in listed equity securities that present the Group with opportunity for return through dividend income and trading gains. The Group holds a strategic non-controlling interest of 3.53% in Press Association Group Limited. These shares are not held for trading and accordingly are classified as available for sale. The fair values of all equity securities are based on quoted market prices.

The fair value of unlisted investments is determined by the Directors, as set out in the accounting policies in Note 3.

18. Interests in Associates

The Group's associated undertakings at the period end 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

The aggregate amounts relating to associates are:

	2013 £'000	2012 £'000
Total assets	47	43
Total liabilities	(3)	(3)
Revenues	26	26
Profit after tax	2	6

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

19. Assets Classified as Held for Sale

	Freehold land and buildings £'000	Leasehold buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 31 December 2011	10,591	745	666	12,002
Disposals	(9,666)	–	(535)	(10,201)
Transferred from property, plant and equipment during period	20,968	–	20,607	41,575
Exchange differences	(12)	(16)	–	(28)
At 29 December 2012	21,881	729	20,738	43,348
Disposals	(4,036)	–	(17,947)	(21,983)
Transferred from property, plant and equipment during period	5,011	81	786	5,878
Exchange differences	10	14	–	24
At 28 December 2013	22,866	824	3,577	27,267
Depreciation				
At 31 December 2011	7,456	745	563	8,764
Disposals	(6,921)	–	(483)	(7,404)
Write down in carrying value ¹	7,680	–	137	7,817
Transferred from property, plant and equipment during period	6,707	–	19,886	26,593
Exchange differences	(7)	(16)	–	(23)
At 29 December 2012	14,915	729	20,103	35,747
Disposals	(2,026)	–	(17,879)	(19,905)
Write down in carrying value	3,249	1,409	13	4,671
Transferred from property, plant and equipment during period	673	(1,364)	800	109
Reclassification	(291)	–	291	–
Exchange differences	6	14	–	20
At 28 December 2013	16,526	788	3,328	20,642
Carrying amount				
At 29 December 2012	6,966	–	635	7,601
At 28 December 2013	6,340	36	249	6,625

1. £7.8 million of write down in carrying value consists of £7.5 million reported as non-recurring Exceptional Items (Note 7) and £0.3 million reported as Operating expense.

Assets classified as held for sale consists of land and buildings in the UK and Republic of Ireland that are no longer in use by the Group and print presses that have ceased production. All of the assets are being marketed for sale and are expected to be sold within the next year.

20. Inventories

	2013 £'000	2012 £'000
Raw materials	2,545	2,850

21. Other Financial Assets and Liabilities

Trade and other receivables	2013 £'000	2012 £'000
Current:		
Trade receivables	29,534	34,800
Allowance for doubtful debts	(2,538)	(3,557)
	26,996	31,243
Prepayments	3,693	4,740
Other debtors	6,029	5,645
Total current trade and other receivables	36,718	41,628
Non-current:		
Trade receivables	6	6

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

21. Other Financial Assets and Liabilities (continued)

Trade receivables

The average credit period taken on sales is 39 days (2012: 41 days). No interest is charged on trade receivables. The Group has provided for estimated irrecoverable amounts in accordance with the 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 period end 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 £12.6 million (2012: £14.6 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 recoverable. The Group does not hold any security over these balances. The weighted average past due period of these receivables is 26 days (2012: 26 days).

Ageing of past due but not impaired trade receivables

	2013 £'000	2012 £'000
0 – 30 days	9,003	10,093
30 – 60 days	2,956	3,956
60 – 90 days	236	108
90+ days	378	406
Total	12,573	14,563

Movement in the allowance for doubtful debts

	2013 £'000	2012 £'000
Balance at the beginning of the period	3,557	5,626
Bad debts written off during the year as uncollectible	(1,510)	(3,430)
Amounts provided for during the year as uncollectible	468	1,379
Foreign exchange translation gains and losses	23	(18)
Movement in the period (Note 8)	(1,019)	(2,069)
Balance at the end of the period	2,538	3,557

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.

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.

	2013 £'000	2012 £'000
0 – 30 days	541	443
30 – 60 days	20	21
60 – 90 days	359	501
90+ days	1,618	2,592
Total	2,538	3,557

The Directors consider that the carrying amount of trade and other receivables at the balance sheet date approximate to their fair value.

Cash and cash equivalents

Cash and cash equivalents totalling £29,075,000 (2012: £32,789,000) 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.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

Trade and other payables

	2013 £'000	2012 £'000
Current:		
Trade creditors and accruals	34,330	32,244
Accrual for redundancy costs	20,437	2,617
Other creditors	19,246	16,073
Total current trade and other payables	74,013	50,934
Non-current trade and other creditors	136	142

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 (2012: 33 days). The Group has financial risk management policies in place to ensure all payables are paid within the agreed credit terms.

The redundancy accrual has been made for terminations agreed ahead of the year end and to be paid during 2014.

The Directors consider that the carrying amount of trade payables at the balance sheet date approximate to their fair value.

22. Borrowings

Borrowings shown at amortised cost at the period end were:

	2013 £'000	2012 £'000
Bank loans	200,851	227,316
Private placement loan notes	110,994	119,162
Payment-in-kind interest accrual	20,372	8,535
Total borrowings excluding term debt issue costs	332,217	335,013
Term debt issue costs	(8,801)	(12,273)
Total borrowings	323,416	342,740

The borrowings are disclosed in the financial statements as:

	2013 £'000	2012 £'000
Current borrowings	8,553	8,520
Non-current borrowings	314,863	334,220
Total borrowings	323,416	342,740

The Group's net debt¹ is:

	2013 £'000	2012 £'000
Gross borrowings as above	323,416	342,740
Cash and cash equivalents	(29,075)	(32,789)
Impact of currency hedge instruments	(1,104)	(2,854)
Net debt including currency hedge instruments	293,237	307,097
Term debt issue costs	8,801	12,273
Net debt excluding term debt issue costs	302,038	319,370

1. Net debt is a non-statutory term presented to show the Group's borrowings net from cash equivalents, fair value of foreign exchange options and term debt issue costs.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

22. Borrowings (continued)

Analysis of borrowings by currency:

	Total £'000	Sterling £'000	Euros £'000	US Dollars £'000
At 28 December 2013				
Bank loans	200,851	188,318	12,533	–
Private placement loan notes	110,994	32,179	–	78,815
Term debt issue costs	(8,801)	(8,801)	–	–
Payment-in-kind interest accrual	20,372	15,084	–	5,288
	323,416	226,780	12,533	84,103
At 29 December 2012				
Bank loans	227,316	215,015	12,301	–
Private placement loan notes	119,162	33,956	–	85,206
Term debt issue costs	(12,273)	(12,273)	–	–
Payment-in-kind interest accrual	8,535	6,342	–	2,193
	342,740	243,040	12,301	87,399

Bank loans

The Group has credit facilities with a number of banks. The total facility at 28 December 2013 is £225.2 million (2012: £237.5 million) of which £24.4 million is unutilised at the balance sheet date (2012: £10.0 million). The credit facilities are provided under two separate tranches as detailed below.

- Facility A – a revolving credit facility of £55.0 million. This facility includes a bank overdraft facility of £10.0 million (2012: £10.0 million). The loans can be drawn down for three month terms with interest payable at LIBOR plus a maximum cash margin of 5.00% (2012: 5.00%).
- Facility B – a term loan facility of £170.2 million (2012: £182.5 million), which can be drawn in Sterling or Euros. Interest is payable quarterly at LIBOR plus a cash margin of up to 5.00% (2012: 5.00%).

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 and interest rate caps. At the balance sheet date, borrowings of £nil million (2012: £30.0 million) were arranged at fixed rate, while a further £180.0 million borrowings (2012: £180.0) were hedged through interest rate caps. Further details on all of the Group's derivative instruments can be found in Note 32.

Private placement loan notes

The Group has total private placement loan notes at 28 December 2013 of £32.3 million and \$130.7 million (2012: £34.0 million and \$137.8 million). Interest is payable quarterly at fixed coupon rates up to 10.30% (2012: 10.30%) depending on covenants.

The private placement loan notes consist of:

- £32.3 million at a coupon rate of up to 10.30% (2012: £34.0 million at a coupon rate of up to 10.30%);
- \$55.7 million at a coupon rate of up to 9.75% (2012: \$58.7 million at a coupon rate of up to 9.75%);
- \$26.6 million at a coupon rate of up to 10.18% (2012: \$28.1 million at a coupon rate of up to 10.18%);
- \$48.4 million at a coupon rate of up to 10.28% (2012: \$51.0 million at a coupon rate of up to 10.28%).

In order to hedge the Group's exposure to US Dollar exchange rate fluctuations, the Group has in place foreign exchange options. These options allow the Group to purchase US Dollars at a set exchange rate, hedging the Group's cash flow risk if the market rate falls below the set rate. The options are in place to cover all interest payments and scheduled principal repayments due on the US denominated private placement notes.

Repayments

All facilities are due for full repayment on 30 September 2015.

Scheduled repayments are due every six months in relation to both the bank loans and private placement loan notes. Scheduled repayments total £70.0 million from 30 June 2012 to 30 June 2015. As at 28 December 2013 £30.0 million remained payable, with £5.0 million paid on 31 December 2013.

A schedule of a pay-if-you-can (PIYC) repayment schedule agreed for both the bank loans and private placement notes totalling £60.0 million up to 30 June 2015. As at 28 December 2013 £52.5 million remained payable, with £7.5 million paid on 31 December 2013.

In addition, the Company is required to make mandatory repayments equivalent to 75% of the net proceeds of certain asset disposals with the remaining 25% payable to the Johnston Press Pension Plan (Note 24). During the period, the Company made repayments totalling £3.5 million in respect of asset disposals.

Covenant reset

On 27 December 2013, the Company and its lenders agreed to reset its financial covenants until maturity in September 2015. A fee of £0.5 million was paid to the lenders on completion of this agreement. This fee has been capitalised and amortised over the period to maturity.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

Payment-in-kind interest

In addition to the cash margin payable on the bank facilities and private placement loan notes, a payment-in-kind (PIK) margin accumulates and is payable at the end of the facility. The PIK accrues at a maximum margin of 4.0% depending on the absolute amount of debt outstanding and leverage multiples. If the facilities are fully repaid prior to 31 December 2014, the rate at which the PIK margin accrued throughout the period of the agreement will be recalculated at a substantially reduced rate.

Refinancing

The Company announced on 27 December 2013 that it had reset its financial covenants through to the maturity of its debt facilities in September 2015 and intends to pursue a refinancing of its debt facilities in 2014. On 3 March 2014 the Company announced that as part of a proposed refinancing of its debt facilities it is considering a range of options including a potential equity fund-raising. Since then, the Company has made good progress evaluating a number of options, including a potential equity fund-raising which would be interconditional with a refinancing of its debt facilities and restructuring its pension arrangements. There can be no certainty that a refinancing of its debt facilities will be concluded in 2014, nor that an equity fund-raising will proceed.

No adjustments have been made to the financial statements to reflect any early repayment that may arise from a refinancing.

Interest rates:

The weighted average interest rates paid over the course of the year were as follows:

	2013 %	2012 %
Bank overdrafts	5.5	5.5
Bank loans	10.6	11.3
Private placement loan notes	13.9	12.5
	11.7	11.7

23. Derivative Financial Instruments

Derivatives that are carried at fair value are as follows:

	2013 £'000	2012 £'000
Interest rate swaps – current liability	–	(99)
Interest rate caps – current asset	4	–
Interest rate caps – non-current asset	–	43
Foreign exchange options – current asset	1,104	155
Foreign exchange options – non-current asset	–	2,699
Total derivative financial instruments	1,108	2,798

24. Retirement Benefit Obligation

Throughout 2013 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.
- An ROI industry-wide final salary scheme for journalists which was closed on 31 October 2012 and a final salary scheme for a small number of employees in Limerick which has been closed to future accruals since 2010. Consequently, the Group's obligation 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 and closed to future accrual in 2010. 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 to the defined benefit scheme are fixed annual amounts with the intention of eliminating the deficit. Based on the outcome of the triennial valuation at 31 December 2010, the fixed annual contribution amount is £5.7 million from 1 June 2012 under the schedule of contributions agreed between the Company and the JPPP Trustees. These were paid in full during the period. In accordance with the amended and restated finance agreement dated 24 April 2012, the Company is required to make additional contributions equivalent to 25% of the net proceeds of certain asset disposals. During the period, the Company made additional contributions of £1.2 million following the disposal of such qualifying assets. As the defined benefit scheme has been closed to new members for a considerable period the last deferred member is scheduled to retire in 35 years with, at current mortality assumptions, the last pension paid in around 80 years (based on the mortality assumptions used for the 2010 triennial valuation). 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.

During 2011 and 2012, the Company carried out pension exchange exercises whereby a number of pensioner members were made an offer by the Company to exchange some of their future pension increases for a one-off increase in pension, where the new uplifted amount would no longer be eligible for increases in payment. There was no such exercise in 2013.

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. Half of the trustees are nominated by members of the JPPP, both current employees and pensioner members. The trustees appoint their own advisers and administrators of the Plan. Discussions take place with the Executive Directors of the Company to agree matters such as the contribution rates.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

24. Retirement Benefit Obligation (continued)

The defined contribution schemes provide for employee contributions between 2-6% dependent on age and position in the Group, with higher contributions from the Group. In addition, the Group bears the majority of the administration costs and also life cover.

The pension cost charged to the Income Statement for the defined contribution schemes and Irish schemes in 2013 was £4,550,000 (2012: £6,724,000) (Note 9).

Major assumptions re JPPP pension scheme:

	2013	2012
Discount rate	4.65%	4.5%
Expected return on scheme assets	5.5%	5.6%
Future pension increases		
Deferred revaluations (CPI)	2.4%	1.9%
Pensions in payment (RPI)	3.4%	2.8%
Life expectancy		
Male	22.1	23.1 years
Female	24.1	23.1 years

The valuation of the defined benefit scheme's 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 approximately 1.5% or £7.6 million.
- A change in the life expectancy by a 10% adjustment to the base table mortality rates would change liabilities by approximately 2.4% or £11.9 million.
- A change in the inflation rate of 0.1% pa would change the value of the liabilities by 0.8% or £4.0 million.

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

	2013 £'000	2012 £'000
Net interest expense	1,576	2,471
Past service gain (Note 7)	–	(1,540)
	1,576	931

There was no current service cost in 2013 (2012: £nil) as the Defined Benefit scheme was closed to future accrual in 2010.

An actuarial gain of £37,695,000 (2012: loss of £21,065,000) has been recognised in the Group Statement of Comprehensive Income in the current period. This has been shown net of deferred tax of £8,670,000 (2012: £5,188,000). The cumulative amount of actuarial gains and losses recognised in the Group Statement of Comprehensive Income since the date of transition to IFRS is a loss of £67,835,000 (2012: loss of £105,530,000). The actual return on scheme assets was a £50,989,000 profit (2012: £28,494,000 profit).

Amounts included in the Statement of Financial Position:

	2013 £'000	2012 £'000
Present value of defined benefit obligations	498,640	504,111
Fair value of plan assets	(420,306)	(382,792)
Total liability recognised in the Statement of Financial Position	78,334	121,319
Amount included in current liabilities	(5,700)	(5,700)
Amount included in non-current liabilities	72,634	115,619

The amounts of contributions committed to be paid to the scheme during 2014 is £5,700,000 (2013: £5,700,000) plus share of asset disposal proceeds, as agreed as part of the formal actuarial valuation undertaken as at 31 December 2010.

The Pension Fund Trustees are taking professional advice, including actuarial input, to determine whether any employer debt is payable to the Plan following the previous cessation of five participating employers. At period end, £1.3 million has been provided for.

The levy payable by the Pension Fund to the Pension Protection Fund for the year to 31 March 2013 was £3.1 million and for the year to 31 March 2014 is £3.2 million. The Group has committed to the Pension Fund to underwrite any annual charge in excess of £0.7 million. The Group has paid £1.5 million during the period and at period end has accrued £1.0 million in connection with the year to 31 March 2013 and a further £1.9 million has been provided for the nine month period to 28 December 2013 within trade and other payables. It is expected that this levy will continue in 2014. The level of increase in charges is not known at this point.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

During the period the Pension Fund Trustees have agreed to carry out a formal actuarial valuation at 31 December 2012 effective as at one year ahead of the next planned valuation date of 31 December 2013. The outcome of the review will not be formalised until after the reporting date. The Trustees have indicated that they will seek an increase in the committed annual contributions. The Trustees are also consulting with the Group about planned changes to the Investment strategy of the Plan to reduce the level of risk.

Movements in the present value of defined benefit obligations:

	2013 £'000	2012 £'000
Balance at the start of the period	504,111	472,708
Interest costs	22,227	22,708
Age related rebates	511	630
Changes in assumptions underlying the defined benefit obligations	(7,357)	29,322
Past service gain	—	(1,540)
Benefits paid	(20,852)	(19,717)
Balance at the end of the period	498,640	504,111

Movements in the fair value of plan assets:

	2013 £'000	2012 £'000
Balance at the start of the period	382,792	368,718
Expected return on plan assets	20,651	20,237
Actual return less expected return on plan assets	30,338	8,257
Contributions from the sponsoring companies	6,866	4,667
Age related rebates	511	630
Benefits paid	(20,852)	(19,717)
Balance at the end of the period	420,306	382,792

Analysis of the plan assets and the expected rate of return:

	Expected return		Fair value of assets	
	2013 %	2012 %	2013 £'000	2012 £'000
Equity instruments	6.8	6.8	268,394	240,011
Debt instruments	3.6	3.8	115,370	100,674
Property	4.8	4.8	11,366	17,991
Other assets	1.7	2.7	25,176	24,116
	5.5	5.6	420,306	382,792

Five year history:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Fair value of scheme assets	420,306	382,792	368,718	385,309	362,006
Present value of defined benefit obligations	(498,640)	(504,111)	(472,708)	(446,095)	(446,114)
Deficit in the plan	(78,334)	(121,319)	(103,990)	(60,786)	(84,108)
Experience adjustments on scheme liabilities Amount (£'000)	7,357	(29,332)	(22,524)	2,925	(100,425)
Percentage of plan liabilities (%)	1.5%	(5.8%)	(4.8%)	0.7%	(22.5%)
Experience adjustments on scheme assets Amounts (£'000)	30,338	8,257	(27,060)	11,139	29,137
Percentage of plan assets (%)	7.5%	2.2%	(7.3%)	2.9%	8.0%

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

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 periods.

	Share-based payments £'000	Properties not eligible £'000	Accelerated tax depreciation £'000	Intangible assets £'000	Pension balances £'000	Other timing Differences £'000	Total £'000
At 31 December 2011	–	13,233	9,679	185,713	(25,997)	(1,019)	181,609
(Credit)/charge to income statement	–	(1,437)	(3,866)	–	934	392	(3,977)
Credit to equity	–	–	–	–	(5,266)	–	(5,266)
Reduction in tax rate – income statement	–	(852)	(474)	(12,787)	2,005	38	(12,070)
Reduction in tax rate – equity	–	–	–	–	421	–	421
Currency movements	–	–	3	(140)	–	4	(133)
At 29 December 2012	–	10,944	5,342	172,786	(27,903)	(585)	160,584
(Credit)/charge to income statement	(202)	(4,392)	(9,909)	(41,667)	1,217	(1,037)	(55,990)
Credit to equity	(20)	–	–	–	8,642	–	8,622
Reduction in tax rate – income statement	–	(801)	584	(22,972)	3,481	211	(19,497)
Reduction in tax rate – equity	–	–	–	–	(1,131)	–	(1,131)
Currency movements	–	–	(1)	189	–	–	188
At 28 December 2013	(222)	5,751	(3,984)	108,336	(15,694)	(1,411)	92,776

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:

	2013 £'000	2012 £'000
Deferred tax liabilities	114,087	189,072
Deferred tax assets	(21,311)	(28,488)
	92,776	160,584

Temporary differences arising in connection with interests in associates are insignificant.

26. Provisions

	Onerous leases and dilapidations £'000	Pensions £'000	Total £'000
At 29 December 2012	3,870	1,726	5,596
Charge to income statement	1,607	–	1,607
Actuarial valuation loss ¹	–	223	223
Actuarial valuation gain ¹	–	(97)	(97)
Utilisation of provision	(1,229)	–	(1,229)
At 28 December 2013	4,248	1,852	6,100

The provisions are disclosed in the financial statements as:

Current provisions	1,796	–	1,796
Non-current provisions	2,452	1,852	4,304
Total provisions	4,248	1,852	6,100

1. Net actuarial loss of £126,000 relates to two unfunded pension schemes. Deferred tax impact of these relate to £36,000. Consequently, £90,000 has been recognised on the Statement of Comprehensive Income.

Onerous leases and dilapidations

Where the Group exits a rented property, an estimate of the anticipated total future cost payable under the terms of the operating lease, including rentals, rates and other related expenses is provided for at the point of exit as an onerous lease.

Under the terms of a number of property leases, the Group is required to return the property to its original condition at the lease expiry date. The Group has estimated the expected costs of leases expiring or expected to be terminated and has also assessed the entire portfolio and made provisions depending on the state of the property and the duration of the lease and likely rectification requirements.

All amounts are expected to be utilised within the next ten years.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

Pensions

The closing provision relates to unfunded pensions of £1.4 million (2012: £1.2 million), post-retirement medical benefit pension related liabilities for former Portsmouth and Sunderland members (2013: £0.2 million, 2012: £0.2 million) and obligations to an Irish industry sponsored pension scheme (2013: £0.2 million, 2012: £0.3 million). The unfunded pension provision and obligations to industry sponsored pension schemes are assessed by a qualified actuary at each period end. The post retirement health costs represent management's estimate of the liability concerned.

27. Share Capital

	2013 £'000	2012 £'000
Issued		
684,352,165 ordinary shares of 10p each (2012: 639,746,083)	68,435	63,975
756,000 13.75% Cumulative Preference Shares of £1 each (2012: 756,000)	756	756
349,600 13.75% 'A' Preference Shares of £1 each (2012: 349,600)	350	350
Total issued share capital	69,541	65,081

The Company has only one class of ordinary shares which has no right to fixed income. All the preference shares carry the right, subject to the discretion of the Company to distribute profits, to a fixed dividend of 13.75% and rank in priority to the ordinary shares. Given the discretionary nature of the dividend right, the preference shares are considered to be equity under IAS 32.

During the period 44,428,306 ordinary shares of 10p each were issued following the exercise of share warrants, generating £4,443,000 of cash for the Company.

At the balance sheet date 35,193,717 warrants were outstanding.

In addition, 177,776 ordinary shares of 10p each were issued during the period following exercises under the Group Savings Related Share Option Scheme, generating £28,000 of cash for the Company.

28. Notes to the Cash Flow Statement

	Note	2013 £'000	Revised ¹ 2012 £'000
Operating (loss)/profit		(245,670)	40,441
<i>Adjustments for:</i>			
Impairment of publishing titles	7	202,427	—
Write down of printing presses	7	63,695	17,239
Write down of assets held for sale	7	4,671	7,817
Amortisation of intangible assets		209	—
Depreciation charges	8	7,543	12,715
Currency differences	8	(146)	(59)
Charge from share-based payments		512	606
Gain on disposal of property, plant and equipment		(1,267)	(2,047)
Exceptional pension protection fund contribution		2,908	—
Exceptional Section 75 pension debt		1,268	—
Exceptional legal and other professional fees		1,169	2,617
Exceptional redundancy costs ²		17,820	—
Pension funding contributions	24	(6,866)	(4,668)
IAS 19 past service gain (exceptional)		—	(1,540)
Movement in long-term provisions		377	119
<i>Working capital changes:</i>			
Decrease in inventories		305	1,859
Decrease in receivables		4,910	6,769
Increase/(decrease) in payables ^{2,3}		672	(1,176)
Cash generated from operations		54,537	80,692

1. The presentation of the 29 December 2012 'exceptional redundancy costs' and 'increase/(decrease) in payables' numbers has been revised to be consistent with current year disclosures.

2. Amounts decreased by £2,617,000 to correct prior year classification. This has been accounted for as a non-cash item, as 'exceptional redundancy costs'.

3. Amounts increased by £4,594,000 to correct prior year classification. This has been recorded as 'interest paid' on the face of the primary cash flow statement. This adjustment did not in any way impact the prior year income statement, assets, liabilities or equity and is purely presentational in nature.

Cash and cash equivalents which are presented as a single class of assets on the face of the Statement of Financial Position comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

29. Commitments, Guarantees and Contingent Liabilities

Lease commitments

The Group has entered into non-cancellable operating leases in respect of motor vehicles and land and buildings, the payments for which extend over a period of years.

	2013 £'000	2012 £'000
Minimum lease payments under operating leases recognised as an expense in the year	6,927	5,688

At the period end date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013 £'000	2012 £'000
Within one year	5,951	4,709
In the second to fifth years inclusive	16,905	15,239
After five years	25,415	23,191
Total future minimum lease payments	48,271	43,139

The Group has entered into agreements with certain printers for periods up to 2015 at competitive prices and to secure supply. At the year end, the commitment to purchase printing capacity over this period was £1.8 million (2012: £nil).

Operating lease payments represent rentals payable by the Group for certain of its office properties and motor vehicle fleet. Leases are negotiated for an average term of 10 years in the case of properties and 4 years for vehicles. The rents payable under property leases are subject to renegotiation at various intervals specified in the lease contracts. The Group pays insurance, maintenance and repairs of these properties. The rents payable for the vehicle fleet are fixed for the full rental period.

Assets pledged as security

Under the refinancing agreement signed on 28 August 2009 and amended and extended on 24 April 2012, the Group and all its material subsidiaries have entered into a security agreement with the Group's bankers and private placement loan note holders. The security provided includes a fixed charge over the assets of the Group including investments, fixed assets, goodwill, intellectual property and a floating charge over its present and future undertakings.

Contingent liabilities

Johnston Press Pension Plan

The Johnston Press Pension Plan is subject to a potential increase in its liabilities due to benefit equalisation not having taken effect for a specific group of members. The Group's lawyers have advised that an application to court be made and expect a successful outcome in the case. The Group is aiming to issue an application to court in the first half of 2014 with the expectation that the hearing would take place before the end of 2014. No provision has been made in the financial statements as the Group's management does not consider that there is any probable loss however the maximum obligation in relation to this matter is expected to be in the region of £8 million, based on the most recent calculations.

Johnston Press Ireland Limited

A number of contingent liabilities exist at 31 December 2013, regarding libel claims. Including legal costs to defend claims, total contingent liabilities are estimated at Euro 300,000.

Newspaper Society Pension Scheme

The Company is a member of the Newspaper Society (the 'Society'), an unincorporated body representing the interests of local newspaper publishers. The Society has proposed plans to incorporate itself as a company limited by guarantee and to merge with the Newspaper Publishers' Association (a body representing the interests of publishers of national newspapers). As part of those plans, it has proposed that existing members enter into a deed of covenant in respect of the deficit to the Society's defined benefit pension scheme. Under that proposal, the members would agree to make agreed contributions over a period of 25 years or until such time as the deficit has been addressed. The Company anticipates being requested to enter into such a deed of covenant and to make annual contributions there under in the region of £90,000.

As currently constituted, voting by members of the Society is proportionate to their share of total subscriptions, which are based on the Eligible Revenue (as defined in the Rules of the Society). The Company has a c.21% voting interest in the Society. The deed of covenant will require the support of members of the Society controlling 90% of the votes in order to become effective. In the event that the deed of covenant does not become effective and/or the merger with the Newspaper Publishers' Association does not take place, there is a risk that the Society will cease to continue its operations, potentially crystallising outstanding liabilities under its defined benefit pension scheme.

30. Share-based Payments

Equity-Settled Share Option Scheme

Options over ordinary shares are granted under the Executive 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. No options have been granted under the Executive Share Option Scheme since 2005.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

Details of the share options outstanding during the period:

	2013		2012	
	Number of share options	Weighted average exercise price (in p)	Number of share options	Weighted average exercise price (in p)
Outstanding at the beginning of period	136,481	265	245,947	266
Lapsed/forfeited during the period	(136,481)	265	(109,466)	268
Outstanding at the end of the period	-	-	136,481	265
Exercisable at the end of the period	-	-	136,481	265

No share options were exercised during the period.

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 full 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 a charge of £nil related to equity-settled share-based payment transactions in 2013 for the Executive Share Option Scheme (2012: charge of £nil).

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 Computershare Plan Managers for a period of either 3, 5 or 7 years. The 2013 invitation is with Yorkshire Building Society and under a change in HMRC rules is for a period of 3 or 5 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 the Savings-Related Scheme at the period end:

Option Grant Date	Number of Shares	Issue Price Per Share
29 September 2006	13,278	224.76p
29 September 2006	4,002	228.80p
27 September 2007	24,259	226.41p
27 September 2007	2,566	220.17p
26 September 2008	709,488	37.60p
26 September 2008	16,655	37.60p
25 September 2009	501,358	28.60p
25 September 2009	37,699	28.60p
28 September 2010	4,446,570	15.75p
28 September 2010	11,459	15.75p
27 September 2013	13,041,770	13.28p
31 October 2013	73,327	12.04p

The Group recognised a net charge of £206,000 in 2013 (2012: charge of £220,000) related to equity-settled share-based payment transactions for the Savings-Related Share Option Scheme.

The above options granted on 29 September 2006 and earlier were issued to employees at a price equivalent to the average mid-market price for the 30 days prior to 27 August 2004, 2 September 2005 and 1 September 2006 respectively. The subsequent options were granted at the closing mid-market price on the day prior to the invitation being sent to employees on 3 September 2007, 1 September 2008, 1 September 2009, 1 September 2010, 30 August 2013 and 9 October 2013 respectively. 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 up to and including 2009. No discount was applied to the 2010 issue and a discount of 10% was applied to the 2013 issue.

There were no options granted under the Savings-Related Share Option Scheme in either 2011 or 2012.

Performance Share Plan

The Company makes awards to Executive Directors and certain senior employees on an annual basis under the Performance Share Plan. The awards vest after three years if certain performance criteria are met during that period.

Awards outstanding under the Performance Share Plan at the period end:

Grant Date	Number of Shares	Market Price on Award	Vesting Dates
21 April 2011	4,026,742	7.40p	21 April 2014
31 May 2011	720,000	7.00p	31 May 2014
11 November 2011	10,471,204	4.78p	11 November 2014
14 September 2012	11,998,916	6.00p	14 September 2015
21 December 2012	180,000	14.50p	21 December 2015
5 June 2013	6,120,000	17.40p	5 June 2016

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

30. Share-based Payments (continued)

The Group recognised a net charge of £14,000 in 2013 (2012: net charge of £260,000) related to equity-settled share-based payment transactions for the Performance Share Plan.

Company Share Option Plan

The Company granted options to certain senior managers to purchase shares in the Company at a certain market price, under the Company Share Option Plan. The awards vest after three years provided the employee remains employed by the Group.

Options outstanding under the Company Share Option Plan at the period end:

Grant Date	Number of Shares	Market Price on Award	Vesting Dates
28 June 2012	5,065,868	5.05p	28 June 2015
5 June 2013	6,059,177	17.40p	5 June 2016

The Group recognised a net charge of £95,000 in 2013 (2012: net charge of £12,000) related to equity-settled share-based payment transactions for the Company Share Option Plan.

Deferred Share Bonus Plan

It is the Company's policy that a proportion of any bonus paid to Executive Directors and certain senior employees is paid in shares deferred for three years. Shares are purchased at the time the bonus is awarded and held by the Company until either the three years are completed or the employee leaves and is treated as a good leaver. 2,333,591 shares are held by the Company in relation to the Deferred Share Bonus Plan.

The Group recognised a net charge of £197,000 in 2013 (2012: £114,000) related to equity-settled bonus payments for the Deferred Share Bonus Plan.

31. Related Party Transactions

Associated parties

The Group undertook transactions, all of which were on an arms' length basis, and had balances outstanding at the period end with related parties as shown below.

Related party	Purchases		Creditors		Sales		Debtors	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Classified Periodicals Ltd	20	22	5	3	—	—	—	—

Classified Periodicals Ltd is an associated undertaking of Johnston Press plc, which re-publishes in a separate publication classified advertisements that appear in the Group's titles and those of certain other publishers.

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.

Transactions with Directors

There were no material transactions with Directors of the Company during the year, except for those relating to remuneration and shareholdings, disclosed in the Directors' Remuneration Report.

For the purposes of IAS 24, Related Party Disclosures, Executives below the level of the Company's Board are not regarded as related parties.

The remuneration of the Directors at the year end, who are the key management personnel of the Group, is set out in aggregate in the audited part of the Directors' Remuneration Report on page 63.

32. 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 Group's overall strategy remains unchanged from 2012.

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 27 and in the Group Statement of Changes in Equity.

b) Gearing ratio

The Board of Directors formally reviews the capital structure of the Group when considering any major corporate transactions. As part of these reviews, 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 when appropriate through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

The gearing ratio at the period end is as follows:

	2013 £'000	2012 £'000
Debt	323,416	342,740
Cash and cash equivalents	(29,075)	(32,789)
Net debt (excluding the impact of cross-currency hedges)	294,341	309,951
Equity	97,083	273,917
Gearing ratio	75.2%	53.0%

Debt is defined as long and short-term borrowings as detailed in Note 22. Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

c) Externally imposed capital requirements

The Group is not subject to externally imposed capital requirements.

d) 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.

e) Categories of financial instruments

	2013 £'000	2012 £'000
Financial assets (current and non-current)		
Derivative instruments	1,108	2,897
Trade receivables	26,996	31,243
Cash and cash equivalents	29,075	32,789
Available for sale financial assets	970	970
Financial liabilities (current and non-current)		
Derivative instruments	–	(99)
Trade payables	(14,475)	(14,531)
Borrowings at amortised cost	(323,416)	(342,740)

f) 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 guidelines agreed with the Group's lenders that 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.

g) Market risk

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

- Borrowings in Euros to manage the foreign currency risk associated with the Group's net investment in its foreign operations;
- Interest rate swaps and caps to mitigate the risk of rising interest rates; and
- Foreign currency options to manage the foreign currency risk associated with the US Dollar denominated private placement loan notes.

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

There have been no significant changes to the Group's exposure to market risks or the manner in which it manages and measures risk.

h) 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. In particular, the Group has a cash flow exposure to fluctuations in the US Dollar on the private placement borrowings and interest payments. At the balance sheet date, the Group had in place a number of foreign exchange options which allow the Group to purchase US Dollars at a set exchange rate when interest and principal payments are due on the borrowings. This protects the Group's cashflows if the US Dollar rate falls below the agreed option rate.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

32. Financial Instruments (continued)

The following table details the forward foreign currency options outstanding as at the period end:

	Average exchange rate		US \$ value		Notional value		Fair value	
	2013	2012	2013 \$'000	2012 \$'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Within 1 year	1.55	1.55	146,300	24,400	94,387	15,742	1,104	155
1 to 2 years	1.55	1.55	-	153,800	-	99,226	-	2,699
	1.55	1.55	146,300	178,200	94,387	114,968	1,104	2,854

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

	Liabilities		Assets	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Euro				
Trade receivables	-	-	1,546	1,239
Cash and cash equivalents	-	-	2,980	1,845
Trade payables	(1,565)	(1,730)	-	-
Borrowings	(12,533)	(12,301)	-	-
US Dollar				
Cash and cash equivalents	-	-	4,895	94
Borrowings	(84,103)	(87,399)	-	-

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. 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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Profit or loss	436	462	3,959	4,262
Other equity	-	-	-	-

Of the impact on profit or loss an increase of £597,000 (2012: increase of £586,000) relates to the retranslation of the Group's Euro denominated borrowings. The £3,959,000 (2012: £4,262,000) impact on profit or loss from US Dollar exposure relates to the retranslation of US Dollar private placement loan notes.

i) 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 and interest rate caps. Hedging activities are evaluated regularly to align interest rate views, define 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.

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 period end date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the period end date was outstanding for the whole year. A 50 basis points increase is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

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

- Net profit would decrease by £682,000 (2012: net profit would decrease by £499,000), mainly due to the impact of increased interest on Sterling denominated borrowings; and
- net profit would increase by £nil (2012: net profit would increase by £36,000) as a result of the changes in the fair value of the Group's cash flow hedges.

For a decrease of 50 bps, the numbers shown above would have the opposite effect.

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	
	2013 %	2012 %	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Within 1 year	–	1.90	–	30,000	–	(99)
	–	1.90	–	30,000	–	(99)

The interest rate swaps settle on a quarterly basis with interest being paid monthly or quarterly on the underlying principal amount. The floating rate on the interest rate swaps is 3 months LIBOR. 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 amounts are entered into in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings.

All of the hedges shown in the table above matured during 2013.

Interest rate caps

Under interest rate caps, the Group has previously capped the floating 3 month LIBOR rate through a one-off upfront payment. This protects the Group from interest rates rising above the cap, while continuing to pay floating LIBOR while it remains below the cap. The interest rate caps settle on a quarterly basis.

	Interest rate cap		Notional principal amount		Fair value	
	2013 %	2012 %	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Within 1 year ¹	2.0	–	180,000	–	4	–
2 to 5 years	–	2.0	–	180,000	–	43
	2.0	2.0	180,000	180,000	4	43

1. Expires on 31 December 2014.

Measurement

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into 3 levels based on the extent to which the fair value is observable. The levels are classified as follows:

Level 1: fair value is based on quoted prices in active markets for identified financial assets and liabilities.

Level 2: fair value is determined using directly observable inputs other than level 1 inputs.

Level 3: fair value is determined on inputs not based on observable market data.

In the current and prior period, the foreign currency options and interest rate caps are classified as level 2 financial instruments. The available for sale investments are classified as level 3 financial instruments. There have been no transfers between the various levels of the fair value hierarchy during the period.

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

32. Financial Instruments (continued)

j) 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, and the funds and financial instruments are held with a number of banks to spread the risk.

The following table shows the total estimated exposure to credit risk for all of the Group's financial assets, excluding trade receivables which are discussed in Note 21:

	2013		2012	
	Carrying value £'000	Exposure to credit risk £'000	Carrying value £'000	Exposure to credit risk £'000
Available for sale investments	970	–	970	–
Cash and cash equivalents	29,075	–	32,789	–
Derivative instruments	1,108	–	2,897	–
	31,153	–	36,656	–

k) 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 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 risk is further discussed in the Financial Review on page 31.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities as at 28 December 2013. 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.

Period ended 28 December 2013

	Bank loans £'000	Private placement notes £'000	Trade payables £'000	Total £'000
Within 1 year	17,612	14,372	14,475	46,459
In 1 to 2 years	205,073	118,899	–	323,972
	222,685	133,271	14,475	370,431

Period ended 29 December 2012

	Bank loans £'000	Private placement notes £'000	Trade payables £'000	Total £'000
Within 1 year	19,025	15,236	14,531	48,792
In 1 to 2 years	18,704	14,870	–	33,574
In 2 to 5 years	225,882	123,753	–	349,635
	263,611	153,859	14,531	432,001

Notes to the Consolidated Financial Statements

For the 52 week period ended 28 December 2013 (continued)

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

	2013		2012	
	Payable £'000	Receivable £'000	Payable £'000	Receivable £'000
Within 1 year	–	–	284	75
In 1-2 years	–	–	–	–
	–	–	284	75

The Group has access to financial facilities, the total unutilised amount of which is £24.0 million (2012: £10.0 million) at the reporting date. The Group expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

I) Fair value of financial instruments

The fair values of financial assets and financial liabilities are provided by the counterparty to the instrument.

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. Foreign exchange options are valued based on future cash flows, estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Interest rate caps are valued by projecting the future floating cash flows that will occur for the remainder of the term of the interest rate cap contract and then discounting the cash-flows to the valuation date using a discount factor interpolated off a zero-coupon yield curve. The future cash-flows are determined by taking into account the probability of the cap being exercised based on implied forward rates calculated with reference to the interest rate volatilities.

The fair value of unlisted investments is determined by the Directors (Note 17).

33. Post Balance Sheet Events

Discussions are at an advanced stage in relation to the possible sale of its 14 regional newspapers in the Republic of Ireland which include the Leinster Leader, the Donegal Democrat, the Limerick Leader and the Kilkenny People, and certain freehold property interest, fixtures, fittings and vehicles as announced on 2nd December 2013.

The value in use for the Irish assets reflects expected disposal proceeds on the basis that at the balance sheet date, discussions were well progressed and management's intention was committed to selling the assets.

The assets, included in the proposed disposal, have not been reported as assets held for sale given the sale does not meet the strict criteria that the sale must be deemed 'highly probable' and neither Board or bank approval has been achieved.

Group Five-Year Summary

	2009' £'000	2010' £'000	2011' £'000	2012' £'000	2013' £'000
Income statement					
Revenue	427,996	398,084	373,845	328,691	302,799
Operating profit on ordinary activities ²	71,784	71,991	64,552	57,045	54,879
Share of associates' operating profit	22	10	10	6	2
Exceptional items	(162,398)	(17,133)	(171,531)	(16,604)	(300,549)
(Loss)/profit before interest and taxation	(90,592)	54,868	(106,969)	40,441	(245,670)
Net finance costs	(28,465)	(41,505)	(36,158)	(44,446)	(40,988)
Exceptional finance costs and IAS 21/39 items	5,282	3,166	(676)	(2,760)	(177)
(Loss)/profit before taxation	(113,775)	16,529	(143,803)	(6,765)	(286,835)
Taxation	26,517	19,535	54,866	12,376	74,869
(Loss)/profit for the year	(87,258)	36,064	(88,937)	5,611	(211,966)
Statistics					
Basic (loss)/earnings per share	(13.66p)	5.61p	(14.24p)	0.88p	(32.74p)
Adjusted earnings per share	5.53p	3.67p	3.50p	3.42p	2.65p
Operating profit ² to turnover	16.8%	18.1%	17.3%	17.4%	18.1%
Balance sheet					
Intangible assets	923,377	907,455	742,851	742,294	541,360
Property, plant and equipment	219,608	195,091	171,154	127,223	54,181
Investments	1,000	982	984	990	992
Derivative financial instruments	15,794	15,757	–	2,742	–
	1,159,779	1,119,285	914,989	873,255	596,533
Net current assets/(liabilities)	(41,473)	11,483	(340,805)	16,823	(14,737)
Total assets and current assets/(liabilities)	1,118,306	1,130,768	574,184	890,078	581,796
Non-current liabilities	(405,973)	(403,404)	(454)	(334,362)	(314,999)
Long-term provisions	(342,309)	(316,177)	(289,366)	(281,799)	(169,714)
Net assets	370,024	411,187	284,364	273,917	97,083
Shareholders' Funds					
Ordinary shares	63,974	63,975	63,975	63,975	68,435
Preference Shares	1,106	1,106	1,106	1,106	1,106
Reserves	304,944	346,106	219,283	208,836	27,542
Capital employed	370,024	411,187	284,364	273,917	97,083

1. All periods related to 52 trading weeks with the exception of 2009 which was a 53 week period.

2. Before exceptional and IAS 21/39 items.

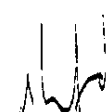
Company Balance Sheet

At 28 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible	35	27	3
Investments	36	381,764	529,598
		381,791	529,601
Current assets			
Debtors – due within one year	37	88,628	86,007
Debtors – due after more than one year	37	440,178	441,798
Cash at bank and in hand		18,688	23,972
		547,494	551,777
Creditors: amounts falling due within one year	38	(165,500)	(117,374)
Net current assets		381,994	434,403
Total assets less current liabilities		763,785	964,004
Creditors: amounts falling due after more than one year	39	(314,863)	(334,220)
Provisions for liabilities	42	(1,412)	(1,189)
Net assets		447,510	628,595
Capital and reserves			
Called-up share capital			
Ordinary	27	68,435	63,975
Preference	27	1,106	1,106
		69,541	65,081
Reserves	43	377,969	563,514
Shareholders' funds	44	447,510	628,595

The comparative numbers are as at 29 December 2012.

The financial statements of Johnston Press plc, registered in Scotland (number 15382), were approved by the Board of Directors on 28 March 2014 and were signed on its behalf by:



Ashley Highfield
Chief Executive Officer



David King
Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

Notes to the Company Financial Statements

For the 52 week period ended 28 December 2013

34. Significant Accounting Policies

Basis of accounting and preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards. No Profit and Loss Account is presented as permitted by section 408 of the Companies Act 2006. The Company's result for the period, determined in accordance with the Act, was a loss of £185,819,000 (2012: profit of £61,727,000). The financial statements have been prepared on the historical cost basis except for derivative financial instruments, unlisted investments are share-based payments as explained in the principal accounting policies adopted as set out below.

The 2013 period was for the 52 weeks ended 28 December 2013 with the prior year being for the 52 weeks ended 29 December 2012.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that both the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements. Further detail is contained in Note 3 with the section on 'Going concern'.

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:

Plant and machinery	20% straight-line basis
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Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Unlisted investments are shown at Directors' 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.

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. Fees incurred in negotiating borrowings are held on the Balance Sheet and amortised to the Profit and Loss Account over the term of the underlying debt.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the period end date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the period end date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the period end date.

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.

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 manage 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 the Profit and Loss Account.

Full details of the Group policy are summarised in Note 32.

Notes to the Company Financial Statements

For the 52 week period ended 28 December 2013 (continued)

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 (see Note 24). 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 period.

35. Tangible Fixed Assets

	Plant and machinery £'000
Cost	
At 29 December 2012	8
Additions	27
At 28 December 2013	35
Depreciation	
At 29 December 2012	5
Charge for the period	3
At 28 December 2013	8
Carrying amount	
At 29 December 2012	3
At 28 December 2013	27

36. Investments

	Subsidiary undertakings £'000	Unlisted investments £'000	Total £'000
Cost			
At the start of the period	1,106,146	3,526	1,109,672
Amounts relating to share-based payments	230	–	230
At the end of the period	1,106,376	3,526	1,109,902
Provisions for impairment			
At the start of the period	(576,548)	(3,526)	(580,074)
Provision for impairment	(148,064)	–	(148,064)
At the end of the period	(724,612)	(3,526)	(728,138)
Net book value			
At the start of the period	529,598	–	529,598
At the end of the period	381,764	–	381,764

An impairment charge has been reflected in the financial statements of the Group. Full details are explained in Note 15. Inevitably this affects the value of the investments held by the parent company and the element of the impairment of intangible assets relating to the investments held by the Company only has been processed as an impairment of investments.

Notes to the Company Financial Statements

For the 52 week period ended 28 December 2013 (continued)

36. Investments (continued)

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
Isle of Man Newspapers Ltd*	Isle of Man	100%	Newspaper publishers
Score Press Ltd	Scotland	100%	Holding company
Score Press Ireland*	Republic of Ireland	100%	Holding company
The Scotsman Publications Ltd	Scotland	100%	Newspaper publishers
Johnston (Falkirk) Ltd	Scotland	100%	Newspaper publishers
Strachan & Livingston Ltd	Scotland	100%	Newspaper publishers
The Tweeddale Press Ltd*	Scotland	100%	Newspaper publishers
Angus County Press Ltd*	Scotland	100%	Newspaper publishers
Galloway Gazette Ltd*	Scotland	100%	Newspaper publishers
Stornoway Gazette Ltd*	Scotland	100%	Newspaper publishers
Northeast Press Ltd*	England	100%	Newspaper publishers
Yorkshire Post Newspapers Ltd*	England	100%	Newspaper publishers
Ackrill Newspapers Ltd*	England	100%	Newspaper publishers
Yorkshire Weekly Newspaper Group Ltd	England	100%	Newspaper publishers
Halifax Courier Ltd*	England	100%	Newspaper publishers
Yorkshire Regional 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
Blackpool Gazette & Herald Ltd*	England	100%	Newspaper publishers
East Lancashire Newspapers Ltd*	England	100%	Newspaper publishers
Johnston Letterbox Direct Ltd*	England	100%	Newspaper publishers
Wilfred Edmunds Ltd	England	100%	Newspaper publishers
South Yorkshire 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
Sheffield Newspapers Ltd*	England	100%	Newspaper publishers and printers
Peterboro' Web Ltd	England	100%	Contract printers
Northampton Web Ltd*	England	100%	Contract printers
Portsmouth Publishing & Printing Ltd*	England	100%	Newspaper publishers and printers
Sussex Newspapers Ltd	England	100%	Newspaper publishers
T R Beckett Ltd	England	100%	Newspaper publishers
Morton Newspapers Ltd*	Northern Ireland	100%	Newspaper publishers and printers
Derry Journal Ltd*	Northern Ireland	100%	Newspaper publishers
Donegal Democrat Ltd*	Republic of Ireland	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 Newspapers 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
Cionnad Ltd*	Republic of Ireland	100%	Newspaper publishers
Kilkenny People Publishing Ltd*	Republic of Ireland	100%	Newspaper publishers

* Held through a subsidiary.

There is no difference in the proportions of ownership interest shown above and the voting power held. All investments in subsidiary undertakings are held at cost less, where appropriate, provisions for impairment.

Notes to the Company Financial Statements

For the 52 week period ended 28 December 2013 (continued)

37. Debtors

	2013 £'000	2012 £'000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	86,366	83,399
Group relief receivable	1,896	1,896
Trade and other debtors and prepayments	366	557
Derivative financial instruments (Note 32)	–	155
	88,628	86,007
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	438,702	438,708
Derivative financial instruments (Note 32)	1,108	2,742
Deferred tax asset – see below	368	348
	440,178	441,798

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	Other timing differences £'000	Total £'000
At the start of the period	11	273	64	348
Charge to profit and loss account	(2)	51	26	75
Reduction in tax rate	(1)	(42)	(12)	(55)
At the end of the period	8	282	78	368

38. Creditors: Amounts Falling Due Within One Year

	2013 £'000	2012 £'000
Borrowings (Note 22)	8,553	8,520
Amounts owed to subsidiary undertakings	144,376	98,706
Other taxes and social security costs	3,749	448
Accruals and deferred income	8,822	9,524
Other creditors	–	77
Derivative financial instruments (Note 32)	–	99
	165,500	117,374

39. Creditors: Amounts Falling Due After More Than One Year

	2013 £'000	2012 £'000
Borrowings (Note 22)	314,863	334,220

40. Borrowings

The Company's bank overdrafts and loans comprise:

	2013 £'000	2012 £'000
Bank loans	200,851	227,316
Private placement loan notes	110,994	119,162
Payment-in-kind interest accrual	20,372	8,535
Total borrowings excluding term debt issue costs	332,217	355,013
Term debt issue costs	(8,801)	(12,273)
Total borrowings	323,416	342,740

The borrowings are repayable as follows:

	2013 £'000	2012 £'000
On demand or within one year	8,553	8,520
Within one to two years	314,863	334,220
	323,416	342,740

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

Notes to the Company Financial Statements

For the 52 week period ended 28 December 2013 (continued)

41. Lease Commitments

The Company leases certain buildings on short-term operating leases. The rental expense on these leases during 2013 was £111,523 (2012: £21,000). The Company pays all insurance, maintenance and repairs of these properties.

Annual commitments under non-cancellable operating leases are as follows:

	2013 £'000	2012 £'000
Operating leases which expire:		
Within 1 year	–	68
After more than five years	283	–
	283	68

42. Provisions For Liabilities

	Unfunded Pensions £'000
At the start and end of the period	1,412

The unfunded pension provision is assessed by a qualified actuary at each period end. Refer to Note 26 for further details.

43. Reserves

	Share premium £'000	Share-based payments reserve £'000	Retained earnings £'000	Other reserves £'000	Own shares £'000	Total £'000
Opening balance	502,818	18,959	27,816	19,510	(5,589)	563,514
Loss for the period	–	–	(185,819)	–	–	(185,819)
Transfer from other reserves to retained earnings ¹	–	–	19,510	(19,510)	–	–
Dividends (Note 13)	–	–	(152)	–	–	(152)
Provision for share-based payments	–	512	–	–	–	512
Issue of share capital	11	–	–	–	–	11
Release on exercise of warrants ²	–	(5,541)	5,541	–	–	–
Release of deferred bonus shares	–	(374)	–	–	374	–
Own shares purchased	–	–	–	–	(97)	(97)
At the end of the period	502,829	13,556	(133,104)	–	(5,312)	377,969

1. The transfer from other reserves to retained earnings relates to a part of the impairment of intangible asset recognised in the year. Refer to Note 36.

2. During the period 4,428,306 ordinary shares of 10p each were issued following the exercise of share warrants (Note 27). The transfer of £5.5 million from share based payments reserve and retained earnings represents the original valuation of the warrants being exercised, which was recognised as a cost when the warrants were issued.

Further details of share-based payments are shown in Note 30.

The own shares reserve represents the cost of shares in Johnston Press plc purchased in the market and held by the Johnston Press plc Employee Share Trust (the 'JP EST') to satisfy options under the Group's share options schemes (see Note 30). The number of ordinary shares held by the JP EST as at 28 December 2013 was 12,707,321 (2012: 16,198,517). In addition to the JP EST, a further 554,493 shares are held regarding the deferred share bonus plan (2012: 1,788,822).

44. Shareholders' Funds

	2013 £'000	2012 £'000
(Loss)/Profit for the year after taxation	(185,819)	61,727
Dividends (Note 13)	(152)	(152)
Provision for share-based payments (Note 30)	512	606
Issue of share capital	11	551
Own shares purchased	(97)	(253)
Proceeds of issue of ordinary shares (Note 27)	4,460	–
Net (decrease)/increase in shareholders' funds	(181,085)	62,479
Opening shareholders' funds	628,595	566,116
Closing shareholders' funds	447,510	628,595

Notes

Notes

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