01 | 01 | 2011

Johnston Press plc

SC 15382

ANNUAL REPORT AND ACCOUNTS 2010

Johnston Press is one of the top 3 local newspaper publishers in the UK and a major force on the Internet.

A combination of continued cost management and development of digital and ancillary revenue streams has resulted in 2010 operating profit showing an increase on the prior year for the first time since 2004 (excluding the impact of acquisitions).

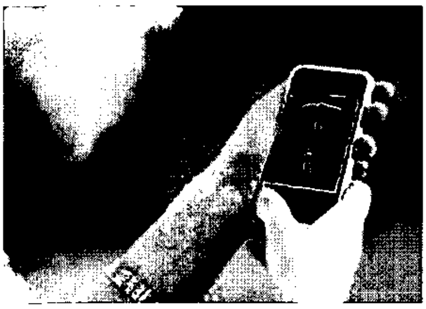
Finding new ways to generate revenue
New enterprises and development of enhanced digital offering.

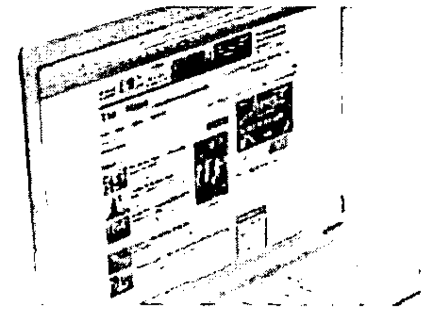
Delivering what our audiences want
Market leading circulation performance and significant website upgrades.

Investing in our people
Delivering programmes designed to encourage structured development and consistent high standards.

An integral part of our local communities
At the heart of community campaigns and events.

Our aim is to serve local communities across a variety of channels, providing access to local information. We have unique local content created by teams of local experts who believe that "Content is King". Our coverage of local stories and events is unrivalled across all media.





10.3 million readers

Print titles: Printing from 7 regional print centres
Daily - 18 Weekly paid-for - 156 Weekly free - 89

273 local websites

Extending audience reach to 67.7 million page impressions per month, up 11.1% on 2009
7.1 million unique users per month, up 3.0% on 2009

17.4 million total audience

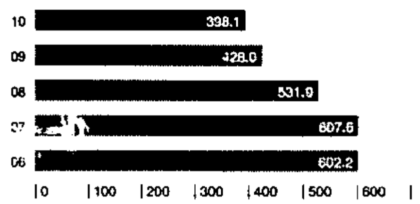
We provide a wide variety of complementary publications to layer the market, give consumer choice and increase advertising reach:

- **Lifestyle magazines**
- **Community newsletters**
- **Commuter newspapers**
- **Niche publications**
- **Websites**
- **Local events and exhibitions**

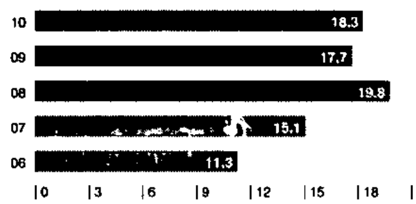
Key Financials

- Total revenue of £398.1 million down 7.0% on last year
- Like-for-like print advertising revenues* down 7.1% on last year
- Circulation revenues of £96.7 million down 2.8% on last year (like-for-like)*
- Operating profit (before non-recurring and IAS 21/39 items)† of £72.0 million representing an operating profit margin of 18.1%, both showing increases year-on-year
- Profit before tax of £16.5 million compared to a loss of £113.8 million in 2009
- £13.1 million net impairment charge against intangibles
- Reduction in net debt of £35.4 million to £386.7 million excluding term debt issue costs (see note 22)
- 2010 and 2011 scheduled reduction of facilities brought forward to April 2010 and September 2010 respectively
- Net cash inflow from operating activities of £69.6 million
- No dividend proposed

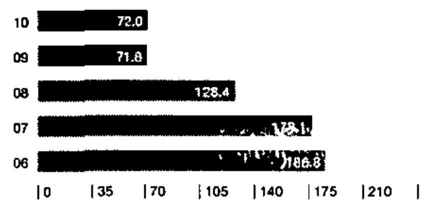
Revenue (£'m)
5 year comparison



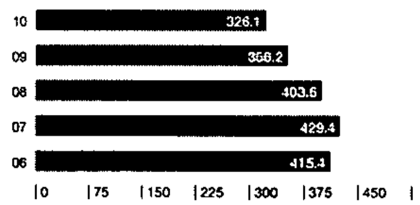
Digital Revenues (£'m)
5 year comparison



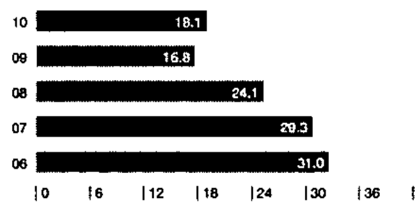
Operating Profit* (£'m)
before non-recurring and IAS 21/39 items



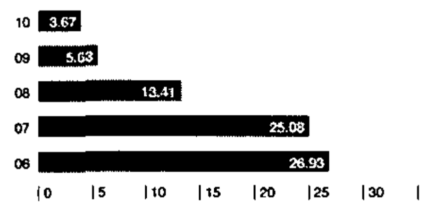
Operating Costs* (£'m)
before non-recurring and IAS 21/39 items



Operating Profit Margin* (%)
before non-recurring and IAS 21/39 items



Underlying EPS (p)
note 14

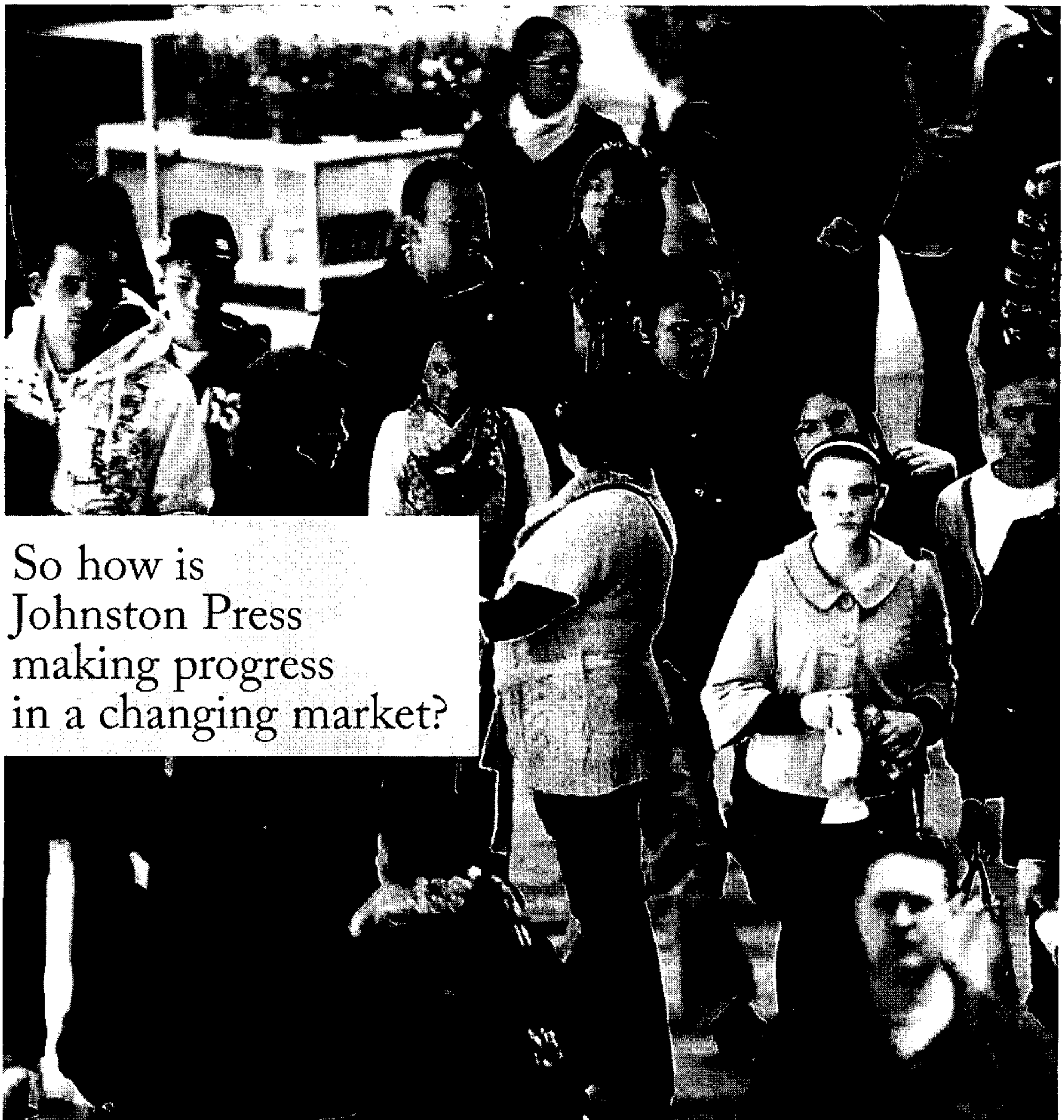


In all these graphs, 2009 was a 53 week period.

Operational Summary

- Print advertising revenue declines slowed across the period
- Like-for-like digital revenue growth of 4.0%
- Operating costs (before non-recurring and IAS 21/39 items)† down by £30.1 million, a saving of 8.4%.
- New editorial Content Management System operational across entire business
- Over 230 news websites rolled out in our new template, improving users' digital experience
- Partnership announced with Qype for digital directory and customer review offering

* see pages 18 and 19
† see page 59



So how is Johnston Press making progress in a changing market?

Finding New Ways to Generate Revenue

New Enterprises

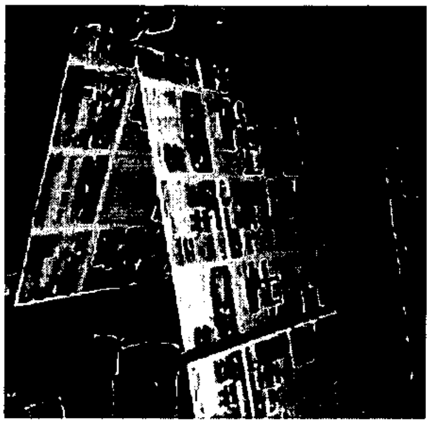
The Group has embarked on several initiatives to either create new or enhance existing ancillary revenue streams associated with our newspaper brands.

These have included greater focus on reader holidays and offers as well as a new initiative of staging large regional exhibitions/shows. The most notable of these in 2010 was a pet show in the East Midlands which attracted over 5,000 visitors and was covered by the Financial Times.

Contract Printing Revenues

After a period where the industry has experienced significant excess capacity, there have been a number of press closures and, in 2009, the loss of a key contract, our printing operation has been successful in securing a number of new print contracts during the year.

These included Classic Car Weekly, the Hull Daily Mail and the Grimsby Evening Telegraph.



Changing Mix of Advertising Revenues

With the decline of certain elements of classified advertising the Group has focussed heavily on building display revenues.

This has led to promotions which secure pre-booked campaigns over a number of weeks as well as selling to business sectors which historically have not used the local press such as Beauty and Fitness, Legal Services and Healthcare.

Partnerships with Jobsite, iAnnounce and Qype

Following the successful partnerships to enhance our digital offering with Jobsite and iAnnounce, the Group announced an agreement with Qype to provide an improved business directory and customer review service to our newspaper websites.

This will not only increase the user appeal of our sites but bring new revenue opportunities to the Group.

The Group has also further cemented its partnership with iAnnounce by agreeing a 5 year extension to the current contract.

Delivering What our Audiences Want

Best in Class!

For the third ABC period in succession, Johnston Press has outperformed the industry average in terms of circulation performance of its weekly titles with the dailies outperforming the market in two of the last three periods.

Recognising the structural changes in how our audience chooses to keep updated with local news, we have been working on ways to make the purchase of the newspaper as easy as possible; these include home delivery, loyalty discounts for subscription and increased availability.

New Websites

As part of the new editorial Content Management System implemented across the Group in 2009/10, we have been rolling out significantly upgraded news websites.

These sites have improved navigation, increased video, contextual functionality and greater audience interaction. They also provide improved linkage with our classified advertising websites.

Digital Visitors

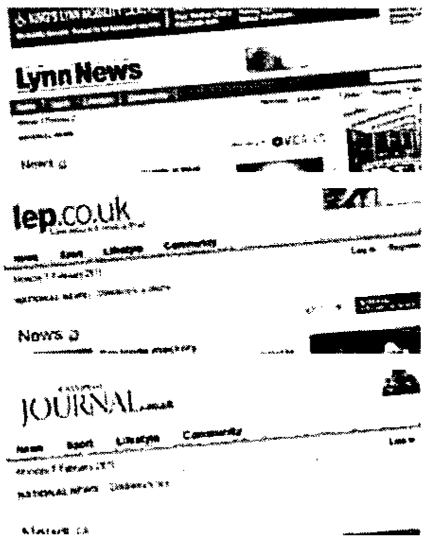
The variety of ways in which our audience choose to access news continues to change.

This is demonstrated by the increased number of unique users visiting the Group's websites, the greater demand for mobile services and the success of the Scotsman.com's iPhone app, which has been sold to over 5,000 users.

Review Panels

The Group continues to make extensive use of review panels to improve its publications.

We now have over 12,000 readers regularly providing feedback on our publications as well as a structured review process where publications are critically reviewed by their editors, readers and a peer group of other editors.



An Integral Part of our Local Communities

Still totally focussed on local news delivery - whatever the medium

Delivering news to communities – via print, online or mobile – remains at the core of our business.

Our newspapers and websites are part of everyday life in the communities they serve and research shows more and more people are using our online offering to keep up-to-date between print editions.

Breaking news can be published instantly online and updated within seconds. Live blogs have proved particularly useful in fast-moving situations such as the English Defence League protests in Luton and Peterborough. More than 6,000 people followed blogs on each site and the Peterborough coverage attracted 2,000 comments.

New software is also allowing us to embrace advertisers within the online community, providing them with the opportunity to place their messages next to appropriate content.

At the heart of community life


Come along to meet the editor on Saturday

We are proud of the presence we have established in our communities and work hard to nurture the trust and loyalty our customers place in us. We have placed a fresh focus on back-to-basics journalism which sees editors, reporters and other key staff getting involved directly with readers and advertisers by holding 'surgeries' in shopping centres, supermarkets and cafes.

Reader panels and ongoing research across the Group provide us with valuable information on customer behaviour and demands, and allows us to tailor our print and online offering for maximum benefit.

Through fund-raising initiatives, sponsorship, hard-hitting campaigns, awards ceremonies to recognise community achievement, and an unfailing dedication to providing the latest news, features, sport and entertainments, our newspapers and websites remain at the heart of communities across the UK and Republic of Ireland.

Investing in our People

Development and Training

The ongoing success of our business is built on the quality of our people and our ability to align our resources and adapt to the changing needs of the business.

In a period of overall economic uncertainty, there has been continued focus on cost control, efficiencies and investing for the future. Through 2010, we continued to invest in our people with the development of several programmes designed to improve their skills and competencies. This included the roll out of a modular management development programme, iManage, and the redevelopment and launch of a field sales career path tool designed to encourage structured development and consistent standards aimed at raising sales effectiveness.

Future Focussed

The introduction of a new editorial Content Management System across the Group led to the redesign of workflows and the requirement to streamline our resources. While this unfortunately resulted in 230 people being placed at risk of redundancy, extensive consultation minimised the number of compulsory redundancies with around 85% of affected employees opting for voluntary redundancy or redeployment.

Content management system users received training and support from a dedicated team of editorial trainers who were critical in ensuring that our editorial teams had the skills and competence required.

Rewarding our People

In conjunction with ongoing benefit reviews, we recommenced salary reviews for employees below the executive level with increases being consistent with the market.

In July 2010, we were pleased to offer Group Income Protection for active pension plan members who were absent from work due to long-term illness. In addition an Employee Assistance Programme, accessible by all employees, was launched providing confidential advice, guidance and support to employees and their immediate family members.

Due to the ongoing need to manage the liabilities of the Johnston Press Pension Plan, the final salary section was closed to future accrual from 30 June 2010.

Chairman's Statement

Ian Russell

During 2010, Johnston Press continued to provide its customers with industry leading local news and advertising opportunities.

Innovation by our local publishing teams combined with the introduction of new technology developed centrally, has enabled us to improve significantly the quality of our business over the past year. The implementation of a new Content Management System led to further efficiencies whilst the introduction of our enhanced websites provides the opportunity to gain additional context-based advertising revenue.

This time last year we experienced the return of a measure of stability in advertising revenue and we were well positioned to benefit from any cyclical upturn. However, as the year progressed we saw less consistent recovery in revenues, culminating in a weaker than expected fourth quarter. Additional cost reduction throughout the year, in part through the introduction of new technology, helped to broadly maintain our level of profitability, albeit that the like-for-like (as defined on page 18) growth in profit we saw in the first half was lower during the final six months. The outcome therefore was a year with weaker revenues than anticipated, but with profit and cash flow maintained by actions taken to reduce costs.

Strategy

Our core competences are providing strong local news and information coverage and attracting advertising and associated revenue. Our content and brands are established and well respected in their local communities. Our vision is to utilise that local news and information to create and sustain strong local brands which operate both in print and in digital media.

To support that vision, our strategy is to innovate locally to maintain print circulation and maximise advertising revenue; develop profitable partnerships which allow us to continue to grow our digital revenues; and develop associated revenue streams which capitalise on our strong local brands.

Results

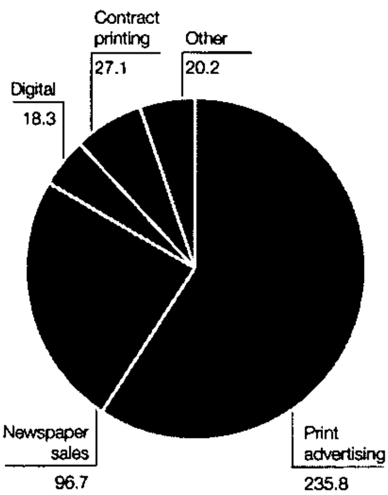
The continued, albeit slower, decline in print advertising revenues was the main contributing factor to a decrease of £29.9 million in total revenues from 2009 levels to £398.1 million. Print advertising revenues dropped from £256.3 million to £235.8 million, although digital revenues grew by 3.2% to £18.3 million. The latter was primarily driven by strong growth in employment revenues associated with the full year benefit of the Jobsite partnership with DMGT launched in August 2009. The overall rate of print advertising decline has reduced over the course of the year.

The Group has made further progress in reducing its cost base throughout the year which has offset the decline in revenues and is reflected in the operating profit (before non-recurring and IAS 21/39 items) of £72.0 million, 0.3% or £0.2 million up on the 53 week period in 2009. This represents an operating margin of 18.1% which compares favourably with our peers in the sector. Newspaper sales revenue was £96.7 million, down £4.5 million (4.5%) on 2009. Newspaper circulations declined by an average of 4.7% for weekly titles and by 7.3% for daily titles. It is clear however that the long-term downward trend in newspaper sales continues, reflecting evolving readership and purchasing patterns and technological advances in accessing news and information.

The refinancing in 2009 led to higher interest charges, as a result of which underlying earnings per share, at 3.67p, were down by 33.6% compared to 5.53p in 2009. The pre-tax profit for the year was £16.5 million, with a profit before tax of £30.5 million relating to trading before non-recurring and IAS 21/39 items.

Net debt at the end of the year was £386.7 million, a reduction of £35.4 million from the beginning of the year. As we reported in November, the reduction in net debt allowed us to bring forward the £30.0 million reduction of our facilities scheduled in 2011 to 30 September 2010. This will lead to a saving in the region of £1.0 million in interest costs in 2011.

Components of Revenue 2010
£'m



Given the Group's historic strengths and presence in the many communities it serves, our opportunity now is to be innovative in growing revenues both from traditional and new sources and capitalising on the economic recovery when it gathers pace.

Share Price and Dividend

Despite a strong performance in the early part of the year, our share price fell back to levels similar to those seen in early 2009 as doubts over UK economic recovery, public sector spending cuts and the strength of the advertising market continued. In line with our previously stated policy, and in accordance with the provisions of our financing arrangements, no dividend is proposed for the year. The Group will continue to use any excess cash to reduce its indebtedness.

Board

In April we marked the retirement of Freddy Johnston after serving for over 50 years as a Director of the Company. We wish Freddy a long and happy retirement. We also extend our good wishes to Peter Cawdron and Martina King who also stood down as Non Executive Directors at that time. The Board thanks them for their service to the Company. In October, Stuart Paterson, who has served as our Chief Financial Officer for nearly ten years announced his intention to step down from the board to join Forth Ports. I would like to thank him for his dedication to Johnston Press and the whole Board wishes Stuart every success for the future.

On 4 March 2011 we announced the appointment of Grant Murray as our new Chief Financial Officer. Grant brings significant experience in senior financial roles within the media sector, including at Guardian Media Group plc, Channel 5 Broadcasting and United Business Media plc. We look forward to welcoming him to the Board when he joins the Company on 3 May.

In July we were delighted to announce the appointment of Kjell Aamot to our Board as a Non Executive Director. Kjell was Chief Executive Officer of Schibsted ASA, the Norwegian publisher, from 1989 to 2009. He is also a Non Executive Member of the Board of PubliGroupe, a Swiss based listed marketing and sales organisation, and an advisor to FSN Capital, an Oslo based private equity firm. He will stand for election to the Board at our AGM in Edinburgh on 28 April. As reported last year, at the start of 2010 Geoff Iddison, Mastercard's head of e-commerce and m-commerce also joined the Board as a Non Executive Director. Both Kjell and Geoff are welcome additions to the Board.

On 9 March 2011 we announced that John Fry, Chief Executive Officer, had notified the Board of his intention to step down from his role by March 2012, thereby providing sufficient time to facilitate a smooth handover to his successor. The process is now being started to find John's successor and a further announcement will be made at the appropriate time.

The governance landscape for UK listed companies has continued to evolve. Our Board meets regularly throughout the year and the range of experience and expertise that the members bring has ensured a constructive challenge of management and healthy, open debate over key issues facing the Company. We have worked hard to ensure that the balance of our Board and the matters considered by it are appropriate for our business and that all Directors receive sufficient information and training for their roles. I am confident that we have an effective Board to address the challenges we face.

Employees

Once again I would like to offer my thanks and appreciation to the dedicated staff throughout Johnston Press for their hard work during the year. Further consolidation of our cost base has regrettably led to some additional redundancies and these difficult decisions reflect the challenging market conditions the Group continues to face. The commitment of our staff has been exemplary during this time and they have a key role in ensuring the Group's future success.

Outlook

The pace and consistency of the economic recovery remains uncertain and this is reflected in a weaker start to 2011 than we had anticipated. Nevertheless, much of the Group's work in 2010 was concentrated on improving systems and technology and making processes more efficient. Given the Group's historic strengths and presence in the many communities it serves, our opportunity now is to be innovative in growing revenues both from traditional and new sources and capitalising on the economic recovery when it gathers pace.

Ian Russell
Chairman

Overview

After four years of operating profit decline, 2010 saw a return to profit growth for the Group.

John Fry

Market Summary

Although the UK economy officially came out of recession in 2010, the advertising market still remained challenging. The employment market, which had started to show some signs of improvement over the first quarter, unfortunately deteriorated over the second half of the year as public spending cut-backs were clearly evidenced in the reduction in public sector jobs being advertised. We also saw in the property market, after an encouraging start to the year with growing revenues, a reduction in the volume of transactions and mortgage approvals and this undoubtedly caused a slow down in property advertising in the fourth quarter. The general display market also saw an impact from the public sector spending review with the Central Office of Information spend in our papers reducing by 90% in the second half when compared to the first half.

In the year, our print advertising was down by 7.1% on a like-for-like basis (see page 19) and although this was a further decline it was at a much slower rate than that experienced in 2009. Within print advertising, property performed best growing during the year by 4.0%. However, as noted above, this performance slowed in the latter part of the year. Display advertising, our largest category, reduced by only 2.4% and saw improved trends in the latter part of the year despite the impact of the reduction in public sector spending referred to above. Employment revenues saw the largest impact of the public sector declines and reduced by 26.9%. In total, public sector related advertising was less than 9% of our total advertising in the second half of the year.

Contract printing was impacted by the loss of contracts and the closure of two plants in 2009. As our capacity rebalancing was completed in the early part of the year we have been able to look for new opportunities as the year progressed. This culminated in contracts to print the Hull Daily Mail and the Grimsby Evening Telegraph for Northcliffe being won in the last quarter. The addition of these new contracts has positioned contract printing well for 2011.

With advertising still declining, the focus on cost has continued. Like-for-like operating costs (before non-recurring and IAS 21/39 items) fell by £28.3 million or 8.0% during the year. This was achieved through investment in new systems and the continuing centralisation of back-office functions, while ensuring focus on local communities by keeping editorial and field sales local. By the year-end the installation of the improved editorial and Content Management Systems was completed and over 2,000 journalists are now using the new system. This has enabled us to have a single view of editorial content independent of how it is delivered to customers. As new delivery mechanisms become available we expect these systems to be capable of automatically delivering content without extensive rework.

The rationalisation process included the closure of the printing press in Limerick. Printing has been moved to our larger press in Northern Ireland with some titles outsourced. Improved processes and centralisation of functions have resulted in the Group reducing the average number of staff employed by the Group from 6,835 to 6,209 (9.2%) during the year. We recognise that this is a difficult situation for many of our staff but we have managed to achieve this reduction with the vast majority coming through vacancies not being filled or voluntary redundancy.

Debt Reduction

The Board's focus has remained one of debt reduction and despite significantly higher finance costs, as a result of a full year of the facilities put in place in August 2009, net debt came down by £35.4 million during the year. This was achieved through continued good cash generation, control of working capital and limiting capital expenditure.

Strategy

(a) Print

While newspaper circulations have been in slow decline for many years the rate of decline can be influenced by the type of publication and the degree of investment in product quality. Our mix of business is skewed towards weekly newspapers, most of which are the leaders within their local communities. Overall 65.2% of our advertising revenues are in weekly newspapers, which have over recent years enjoyed better circulation trends than their daily equivalents due to their more localised footprint. They have also enjoyed better advertising trends due to the mix of advertising.

In order to improve the quality of our newspapers and ensure a sharp focus on their local markets, our editorial review process has been expanded to over 100 titles. This process gathers feedback from readers and editorial staff and results in an improvement programme for each publication.

Product quality has been assisted by the investment in new editorial and Content Management Systems which have enabled significant changes in workflow. Increased focus is placed on the creation of news content while the subsequent production process has been largely automated.

During the past six years, much classified advertising has been lost due to increased competition from digital alternatives and through the economic downturn. This has encouraged the Group to focus on developing display revenues from both new and existing customers. A new programme of customer acquisition has been introduced across the business resulting in new local advertisers and new categories of display revenue. Whilst we expect some return of classified advertising as the economy improves, further structural change is inevitable. However, as much of the structural/cyclical impact has already occurred, the future impact of structural change is likely to be more muted and balanced by the cyclical bounce.

(b) Digital

Our digital strategy is to leverage the assets of our newspaper business into the online world. These assets include unique local news and information content, relationships with readers and advertisers and strong local brands. By leveraging these assets we are able to create an advantage over on-line competitors.

Digital revenues returned to growth during the year driven primarily by the improved recruitment proposition launched in August 2009. Through working with a partner, the Daily Mail & General Trust's (DMGT) Jobsite, we were able to rapidly introduce a better recruitment offering into our local markets. This has enabled us to improve our local market share in terms of the number of jobs available on the site and response to advertisements through visitor numbers; in 6 out of 9 of our major local markets we are in first or second position in terms of site visitors. These improved websites will enable us to hold our strong position in local recruitment with a unique combination of print and digital products.

During the year we have completed the rollout across the Group of improved editorial and Content Management Systems. This system has provided the Group with an improved platform on which to launch new products. Updated websites utilising the system are now live in over 90% of our markets. These sites utilise Autonomy software in conjunction with our editorial and Content Management Systems to create the ability of coding our editorial content in preparation for both improved contextual advertising and automated use of our editorial content. These are important building blocks which can be exploited further to develop our digital business.

A new digital business directory developed in partnership with Qype will also leverage the new platform. The directory will be fully integrated within our local news websites and enable advertising to be appropriately placed within the site. The new system is now in prototype and will be launched to customers during March/April 2011.

During the year we participated in the process to gain a local television licence to provide news within Scotland. Our bid, in conjunction with three other partners, was selected due to the high quality and depth of editorial content and our multi-media offering. Unfortunately, due to the change in Government, the process was then aborted and we find ourselves in a new Government programme to create local TV stations. At this stage, we are doubtful that this will lead to significant revenues for the Group.

Summary

After four years of operating profit decline, 2010 saw a return to profit growth for the Group. Advertising, whilst still declining, is considerably more stable than in the preceding two years. Digital revenues grew during the year and a pipeline is in place for further digital launches in 2011. Finally, the level of debt has continued to decline despite increased interest payments, and debt ratios have improved.

Operational Review

Danny Cammiade

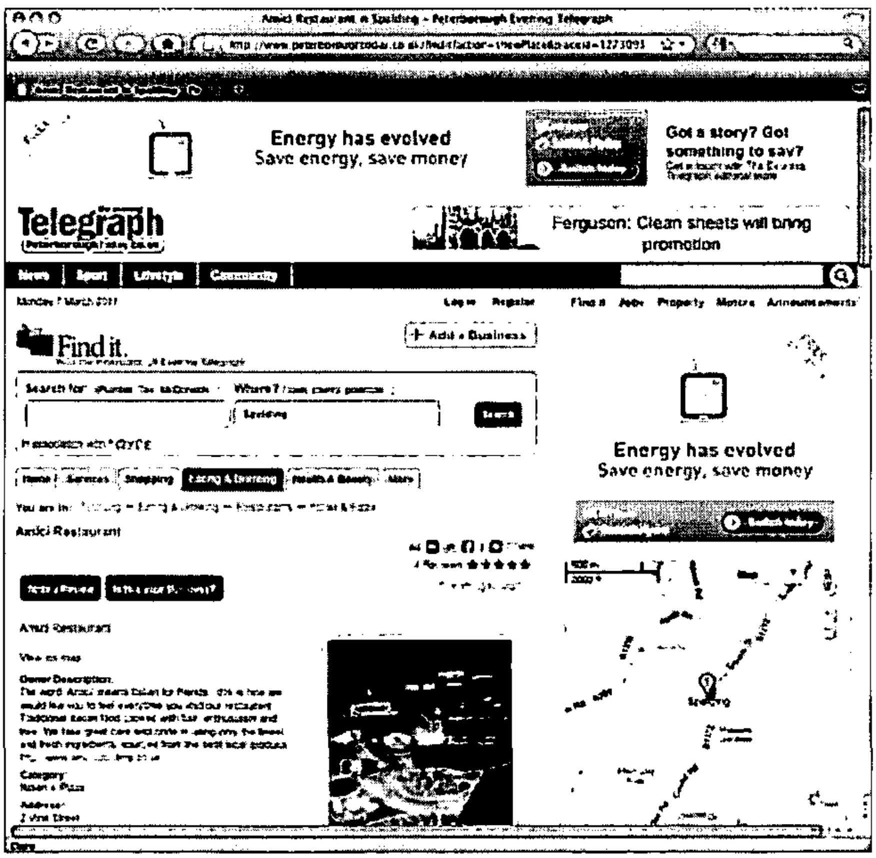
During 2010 work continued on the Group's stated aim of focussing its publishing operations on revenue, audience, communities and people. A key component of this approach is the centralisation of non-publishing activities into a single operating unit.

To this end, a new service division was formed in 2010 to cover printing, logistics, transport, advertisement design and associated health and safety controls.

The publishing divisions have also been reduced from seven to five, being Scotland and North East England, the North of England, the Midlands, the South of England and Ireland (covering the whole of the island). This provides better management consistency for revenue responsibility, more effective use of resource and reduces the number of direct reports into the senior management team.

Digital

Aligned to this strategy is the use of technology to create a single view of content within one Group-wide Content Management System which can be used for multiple platforms such as the newspaper, the internet and mobile. During the year, this project was completed.



At the same time a project commenced to re-launch the Group's news websites with almost all of the sites being upgraded to a new design. An important aim is achieved with this switch in that all originated content is now created in a fully searchable format. This will enable the Group to develop further commercial opportunities such as matching relevant advertisers to online stories and timely creation of niche products while ensuring that publishing centres are ready for developments in emerging technologies such as smart phones, portable tablet devices and iPads.

In keeping with the approach to continue to grow digital revenues by partnering with key providers, agreement was reached with Qype, a leading online directory business based across Europe, to provide a business directory platform integrated into the new websites. This will greatly improve the business listing service currently on offer and enhance interaction with our audience, particularly with the ability to review services. This is expected to increase the Group's revenue for business listings in 2011.

Key centres

Key

1	Edinburgh	6	Dinnington
2	Belfast	7	Peterborough
3	Naas	8	Northampton
4	Leeds	9	Portsmouth
5	Preston		

During 2010 the Group also launched an iPhone application for The Scotsman which was the first Scottish-based iPhone news service of its kind. To date, over 5,000 users have downloaded the application.

IT Systems

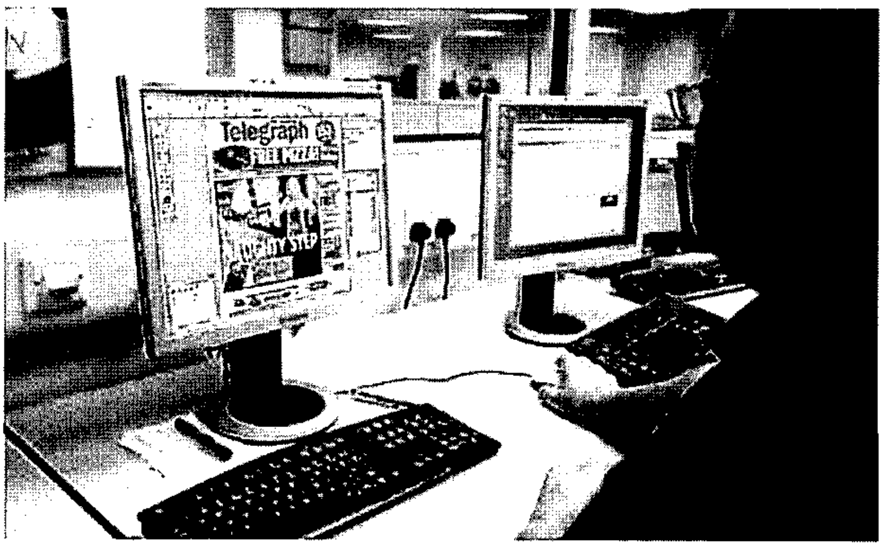
In addition to the work undertaken to improve our digital performance, the IT function has been preparing the Group's infrastructure to ensure its sales function has a single customer view and at the point of contact the sales person has the most up to date information available. This is a long-term project involving over 2,000 sales staff and it is unlikely to be completed until late 2012, though some benefits have already been derived from a trial project to centralise telephone sales activities further. This trial, which demonstrated that improved technology created efficiencies and increased sales opportunities, is being used as a framework for planning telephone sales resource going forward.

Organisation Structure

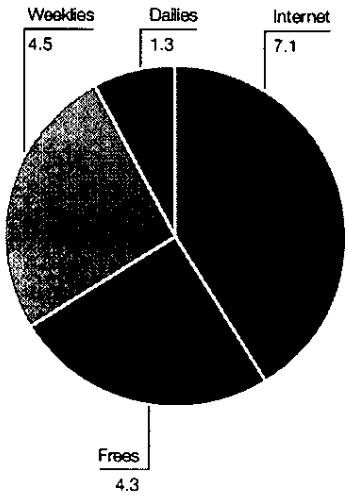
Work was also completed on the overall organisation structure to ensure it is balanced and in keeping with the economic reality faced by the Company. In this regard projects started in 2009 to reduce workflow in editorial departments and streamline sub-editing functions were completed, back room activities associated with newspaper production were consolidated from 9 to 3 operating units and locally managed transport and logistic teams were moved to a Group-wide function managed within the newly created services division. In addition, management teams were streamlined.

As part of the overall strategy to improve sales activities, the position of Group Commercial Director has been created. This role will focus on ensuring that best practice is shared and implemented across the Group, that national advertisers (an area of increased activity) are more closely interacted with, and that the Group's digital and in-print strategies are aligned where appropriate.

Given the consolidation of our telephone sales activities, a Contact Centre Director position has also been created to ensure our telephone contact centres have the necessary management skills and competencies to provide a first class service to our customers and that our knowledge on best practice in this sector is up to date. This role will oversee the further consolidation of the Group's telephone sales activities and the installation of technology to support the improved customer service.



Audience by component
millions



Audience Delivery
Maintaining audience both in print and online is a key part of our overall strategy and in this regard further steps have been taken to ensure our newspapers and websites meet the needs of our readers and viewers. To ensure this is the case, over 100,000 people are actively engaged in providing consumer feedback on our various products. This includes 12,000 reader panellists who respond to questionnaires and give views on product additions and changes, and 14,000 readers who work with our in-house research team giving feedback alongside editors and senior journalists as part of our newspaper product evaluation process.

This work has been supported by a move towards retaining newspaper readers by offering incentives for long-term subscription to our newspapers. Every publisher has a reader retention plan in place which encourages payment by direct debit for 12 month contracts.

As a result of these initiatives sales performance improved during the year with weekly titles 0.6% better in the second half of the year at –4.4% and daily newspapers 7.8% down. Encouragingly, nine of our weekly newspapers recorded an increased sales performance year-on-year including the Hastings Observer and the Worthing and Shoreham Herald. The performance of our daily titles in the second half of the year was disappointing. However, 6 of our 18 daily titles performed above the industry average including the Scarborough Evening News and the Belfast Newsletter, both of which were in the top 20 performances for the period in the market.

Digital audiences continued to grow with unique users up 3.0% on 2009 to an average of 7.1 million per month.

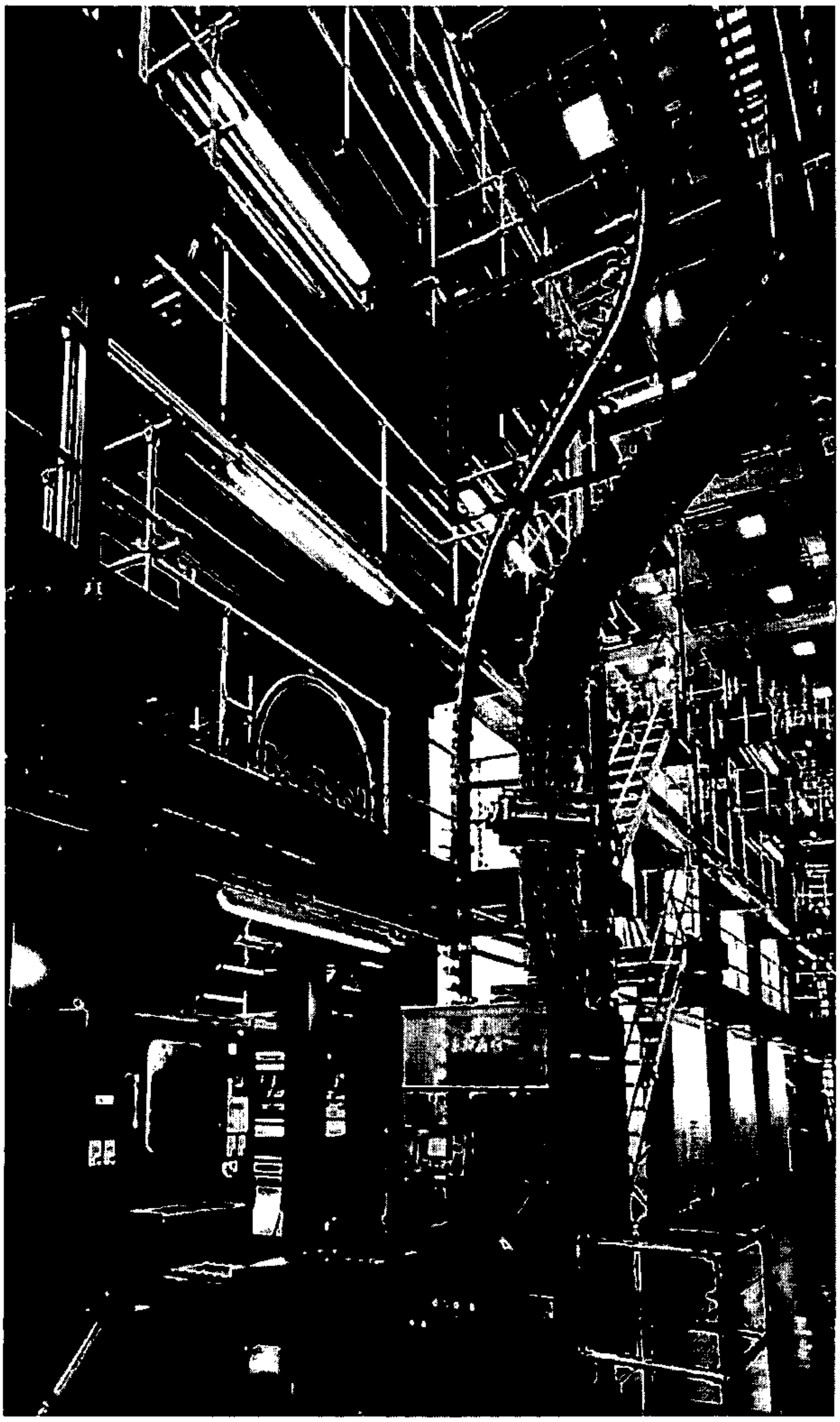
Business Development
Using the experience of the Company's established emigration exhibition business, the Group launched five new shows across its publishing portfolio. These larger exhibitions were part of a trial to determine if significant new revenue could be achieved alongside the already successful smaller shows operated by our publishing centres. Of the five exhibitions, the largest was LovePets held in November. This show, although hampered by the bad weather, successfully attracted national advertisers and exhibitors and demonstrated that events of this scale can be staged. Other events were also successfully delivered across the Group including the Magic of Christmas held in Northern Ireland, the South of England and the North of England.

In order to improve other revenue streams from our existing audience of over 17 million readers and viewers, an experienced enterprise manager was appointed. This has helped formulate new ideas and partnerships to grow revenues such as reader holidays, commissions on utility services and discounted goods offered uniquely to our readers. As a result of these initiatives, other revenues grew by 1.1% to £20.2 million (on a like-for-like basis).

Services Division
The print division was renamed to reflect the growing range of services it provides to the publishing companies, which now include pre-press, transport & logistics, page planning and health and safety.

In the more traditional area of print services, further steps were taken to improve efficiency by moving to one print centre in Ireland and closing the Limerick plant, changing shift patterns at Peterborough and realigning management to reflect this reduced capacity. New contracts were secured to print the Grimsby Evening Telegraph and Hull Daily Mail, and the division was again recognised by the industry for its printing standard.

The expanded services division has made substantial progress in consolidating the disparate activities associated with newspaper production, and resulted in savings of over £1.7 million. This process will also lead to further efficiencies and improvements to service levels, particularly in the area of advertisement creation where self serve and automated processes will provide more timely and higher quality solutions.



The move to a single solution for the Group's transport and logistics needs brought an immediate benefit both in overall costs and in the implementation of best practice. This included the move to wholesale arrangements for the majority of our titles and the review of direct delivery arrangements, the latter bringing substantial cost savings.

Staff Development and Welfare

The main area of focus remains the minimisation of the effect of restructuring the organisation. In this regard the greatest impact has been the restructuring of the editorial departments which involved over 230 individuals. It is encouraging to report that around 85% were accommodated without the need for compulsory redundancies. In addition to this work, support has been given to change within the services division involving over 100 staff and within publishing and finance departments where local activities were centralised during the year.

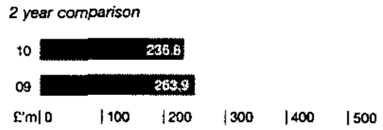
A new centralised HR helpdesk was created to give management teams immediate access to HR professionals and the most up to date advice.

During the year over 2,000 journalists and sales staff completed in-house training programmes and internal communication was improved following the appointment of a new Group Communications Officer. This is part of a strategy to improve communication both up and down the organisation and includes a new weekly eNewsletter for all employees which will cover the key activities of the Group.

Following extensive consultation with staff and their representatives, the Group's final salary pension plan was closed to future accrual at the half year. As part of this change, staff were offered alternative membership of the Group's defined contribution pension plan along with other benefits including a new income protection scheme and employee assistance programme.

Key Performance Indicators

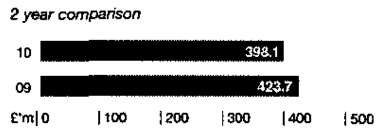
Advertising Revenue
(like-for-like)



Our largest revenue stream, which has been most impacted by the economic recession and structural change, down 7.1% year-on-year.

- the decline has slowed during 2010, with growth seen in property advertising and in some geographic markets
- impacted by advertising moving to digital media
- public sector cuts are reducing revenues

Total Revenues
(like-for-like)

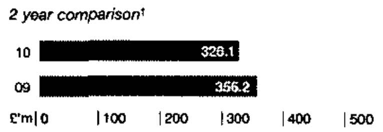


With the decline in print advertising revenues, new complementary revenue streams are being developed.

New revenue streams include:

- new digital partnerships to generate incremental revenues
- events and exhibitions
- new external contract printing

Operating Costs



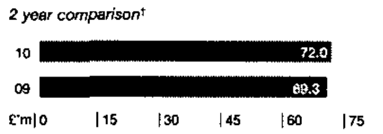
† before non-recurring and IAS 21/39 items

To offset declining revenues, £30.1m of operating cost savings were achieved in 2010.

These were achieved through:

- restructure of transport and logistics
- implementation of new technology
- management restructure
- tight control of newsprint usage

Operating Profit
(like-for-like)

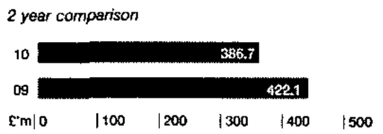


† before non-recurring and IAS 21/39 items

The Group seeks to grow profits to enhance shareholder value.

- First like-for-like operating profit improvement since 2004
- Growth was achieved through tight cost control and development of new revenue streams
- Operating profit margin improved from 16.8% to 18.1%

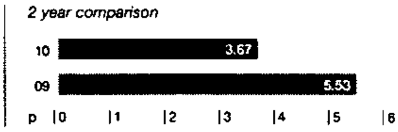
Net Debt
(note 22)



Reducing net debt is a key priority for the Group.

- Operating cashflow for the year of £69.6 million
- Pulled forward facility reductions planned for 2010 and 2011
- Net cash used to reduce debt

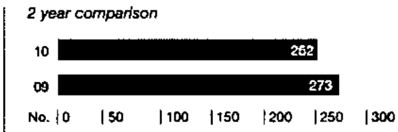
Underlying Earnings per Share (note 14)



This is a measure of the profit earned per share in the Company.

- Despite increasing the operating profit in the year, there has been a decline in underlying earnings per share due to higher interest rates paid on debt in 2010

Employees involved in accidents

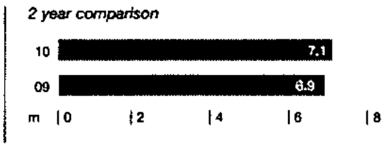


Johnston Press remains committed to improving health and safety for all employees and reducing the number of accidents at work.

Improvements in health and safety included:

- appointment of a new Health and Safety Manager early in 2011
- maintaining safety awareness through campaigns
- independent audits of risks

Number of Unique Users

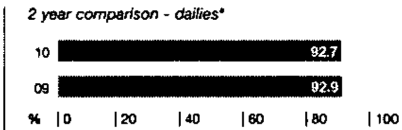


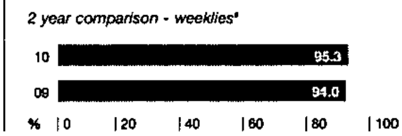
Increased unique users provide a more attractive proposition to our advertisers.

Unique users have increased through:

- Improved content management
- Partnerships such as Jobsite and iAnnounce which help enhance our website offerings
- Updated website designs

Newspaper Circulations





* circulation expressed as a percentage of the previous year

As evidenced throughout the newspaper industry, circulation declines have continued in 2010, although the Group has a strong track record relative to its peers.

To reduce the decline Johnston Press has:

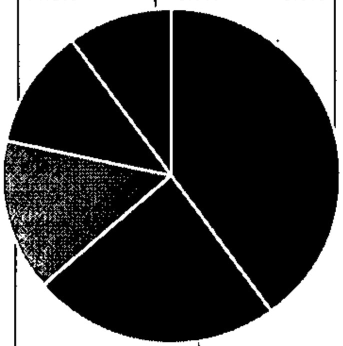
- Increased market research and reader feedback programmes
- Established a review process to improve newspaper quality
- Reviewed delivery methods including subscriptions

Performance Review

Stuart Paterson

The revenue declines that the Group has experienced through the recession continued in 2010, albeit at a much reduced rate. The impact of this was lower than in previous years due to the significant ongoing cost management activities within the Group. These activities more than offset the revenue declines so that on a like-for-like basis the Group succeeded in growing operating profit (excluding the impact of acquisitions) for the first time since 2004.

UK Print Advertising Revenue 2010
Proportion by Category



Trading Review

The table below compares the combined digital and print advertising by category over the first half and the second half of the year for the UK business on a like-for-like basis. The total advertising revenues for the Republic of Ireland business have been included on a constant currency basis.

The period to 2 January 2010 was a 53 week period. The impact of the 53rd week is shown in the table below and all comparisons which are termed as being on a "like-for-like" basis are calculated by comparing the 52 weeks of 2010 against the relevant 52 weeks of 2009.

As can be seen the year-on-year decline in the second half of the year was broadly consistent with the first half with the improvement we had hoped for not materialising. The main reason for this was cut backs in public sector expenditure post the general election and the Government's spending review. The impact of this is most notable on the employment category where public sector recruitment has dropped significantly, and the other classified category where we saw reductions in the volumes of public notices.

Other notable trends were property where the rate of growth seen in the first half slowed, in line with the volume of property transactions, and the improvement in motors and display advertising reflecting the GDP growth seen in the UK economy.

Advertising Revenue - Print & Digital by half year (like-for-like)

	52 week period			First half to June			Second half to December		
Year/Half Year	2010 £'m	2009 £'m	% change	2010 £'m	2009 £'m	% change	2010 £'m	2009 £'m	% change
UK									
Employment	33.7	41.9	(19.7)	20.3	24.2	(16.1)	13.4	17.7	(24.3)
Property	33.4	31.8	5.2	18.4	16.4	12.6	15.0	15.4	(2.6)
Motors	22.8	24.7	(7.8)	12.0	13.2	(9.8)	10.8	11.5	(6.1)
Other Classified	56.8	61.4	(7.5)	29.8	32.2	(7.0)	27.0	29.2	(7.5)
Display	96.4	98.1	(1.7)	48.0	49.7	(3.6)	48.4	48.4	–
UK Total	243.1	257.9	(5.7)	128.5	135.7	(5.2)	114.6	122.2	(6.2)
Republic of Ireland	11.0	13.6	(19.1)	5.7	7.4	(25.0)	5.3	6.2	(15.0)
Group Total	254.1	271.5	(6.4)	134.2	143.1	(6.3)	119.9	128.4	(6.7)

We also saw an improvement in the rate of decline in the Republic of Ireland but this is a result of the comparatives in 2009 being lower rather than any improvement in the economic conditions in that market.

The table below summarises revenues and total costs for the Group for 2010 and against 2009 with the impact of the 53rd week in that year isolated.

Print advertising which is included in the total advertising revenue analysis above declined by 7.1% on a like-for-like basis which is a significant improvement on the 27.4% decline reported in 2009.

Newspaper sales were down by 2.8% on the same basis, which is a slight deterioration on the 1.8% decline reported last year. However, approximately 1% of the overall decline was a result of moving more of our titles to wholesalers which results in a lower net sales price but which is more than offset by a reduction in distribution costs. As mentioned in the Operational Review there were continuing declines in the circulation of our titles but increased cover prices across the majority of our portfolio helped mitigate the impact.

Digital revenues grew on a like-for-like basis by 4.0% in the year. This growth was driven by employment and display revenues. The rate of growth in employment related revenues slowed in the second half of the year for two reasons; firstly, the benefit we enjoyed from our partnership with the Daily Mail Group on Jobsite passed its implementation anniversary such that the uplift we experienced on entering this arrangement is now included in the comparatives; and secondly the significant reduction in print recruitment advertising listings that were available for upsell into digital. Display revenues showed good growth throughout the year as the popularity of our news websites grew and other initiatives such as selling video advertising onto our news websites gained traction.

Contract print revenues decreased on a like-for-like basis by 17.1%. This reduction was caused in part by our decision to close our printing operations in Edinburgh and Kilkenny in the second half of 2009. Although these closures did result in a net saving to the Group, there were third party revenues that were lost as a consequence. The balance of the decrease has been driven by decreased volumes on existing third party contracts and the full year effect of the loss in 2009 of the Financial Times print contract.

Performance summary for 2010 and 2009

	2010 52 weeks £'m	2009 53 weeks £'m	Eliminate 1st week £'m	2009 52 weeks £'m	% change Like-for-like
Print advertising	235.8	256.3	(2.4)	253.9	(7.1)
Newspaper sales	96.7	101.2	(1.7)	99.5	(2.8)
Digital	18.3	17.7	(0.1)	17.6	4.0
Contract printing	27.1	32.7	–	32.7	(17.1)
Other	20.2	20.1	(0.1)	20.0	1.1
Total revenues	398.1	428.0	(4.3)	423.7	(6.0)
Operating costs (before non-recurring and IAS 21/39 items)	(326.1)	(356.2)	1.8	(354.4)	8.0
Operating profit	72.0	71.8	(2.5)	69.3	3.9
Operating margin	18.1%	16.8%		16.4%	

Year-on-year operating profit increase

Despite continued declines in print advertising revenues the Group has managed to mitigate this to deliver an operating profit increase. Activities included:

- **Reduction in number of operating divisions**
- **Improved editorial workflow**
- **Centralisation of Transport & Logistics, HR and Credit Control**
- **Closure of Limerick printing operation in the Republic of Ireland**

Other revenues on a like-for-like basis increased by 1.1%. Around 40% of the revenue in this category comes from leaflets distributed with our free newspapers. Responding to the declines in advertising we have made reductions in the distribution of some of our free titles and some have ceased to be viable. This has resulted in an overall reduction in the distribution of free papers of 9% and this has been directly reflected in the leaflet revenues. There has, however, been good growth in other revenue streams within this category such as local awards, exhibitions and reader offers. The increases in these revenue streams have more than offset the decline in leaflet revenues.

In total, like-for-like revenues were down by 6.0% year-on-year.

Total operating costs for the Group, excluding non-recurring and IAS 21/39 items, were £326.1 million. This represents a decrease of 8.0% on a like-for-like basis over 2009. This saving was achieved despite the end of the Group's salary freeze in July 2010 and increased newsprint prices in the second half of the year. Unfortunately newsprint prices are increasing sharply again in 2011 in part reflecting the significant increase in the prices being paid for newsprint waste. A significant element of the 2010 cost savings relates to the implementation of the Content Management System discussed in the operational review. There were also significant cost savings related to the closure of printing presses and the transfer of some newspaper distribution to wholesalers both of which are mentioned above.

This overall cost reduction more than offset the like-for-like revenue reduction such that on the same basis, operating profit (before non-recurring and IAS 21/39 items) was £72.0 million, up from £69.3 million in 2009. This is the first like-for-like annual operating profit increase (excluding the impact of acquisitions) since 2004. The operating profit margin for the year was 18.1%, an increase on the 16.4% reported in 2009.

Non-recurring and IAS 21/39 Items

In addition to the trading results discussed above, there have been several items that have been identified as non-recurring either due to the nature of the item or their materiality. The most significant of these items are as follows:

a) As has been the case in prior periods, the Group is required under IAS 36 to test the carrying value of its intangible assets for indications of impairment. In 2009 this resulted in a net charge of £126.0 million. The testing at 1 January 2011 has resulted in a net charge of £13.1 million, primarily due to the print advertising performance in Q4 continuing into early 2011 and the increase in newsprint costs. Details of the impairment test assumptions and the carrying values by segment are included in note 15.

b) In November 2010 the Group announced the closure of its printing operations in Limerick. This resulted in the book value of the assets in this division being written down to their realisable value and a provision being taken against the remaining period of the lease. This resulted in a non-recurring charge of £4.0 million.

c) As discussed in the Operational Review, the Group continues to re-engineer the way in which it carries out its business and this has resulted in fundamental restructuring and reorganisation in several areas of the business including pre-press, transport and logistics, editorial work flow, management, credit control and contact centres. These changes resulted in redundancy costs of £7.7 million, which have been recorded as non-recurring items.

d) As discussed in the 2009 Annual Report and Accounts, the Group took the decision to de-designate all its financial derivatives and cease applying the hedge accounting requirements of IAS 39 at the start of that year. This has the effect that all of the changes in the value of these financial instruments, and the assets/liabilities that they relate to, are recorded in the Income Statement. The effect of this is illustrated in a separate column of the face of the statement and the detail on the adjustments is included in note 11c.

e) Finally, as referred to in the tax rate section following, the Group has released certain tax provisions relating to the share warrants issued as part of the refinancing and in respect of tax years which have now been settled with HMRC. These items have been classified as non-recurring because of their nature and size (£13.6 million). Also included in non-recurring tax items is the impact of the reduction in the rate of deferred tax to 27%, a credit of £8.9 million, and the release of deferred tax provision on publishing titles that have been impaired.

Finance Income/Costs

The net finance income on pension assets/liabilities was £0.4 million as the expected return on the pension fund assets was marginally higher than the interest cost on our pension liabilities.

Finance costs for the year were £41.9 million. This represents a very significant increase over the £28.8 million (before non-recurring items) reported last year. The charge this year reflects a blended rate of 10.0% and represents a full year of the financing facilities put in place in August 2009. This blended rate, which includes the payment-in-kind interest (PIK), is comparable with the rate for the last four months of 2009 of 9.9%. The charge in the Income Statement also includes £5.3 million being the amortisation of the fees, which totalled in excess of £16 million, associated with the refinancing. The Group's exposure to US dollar interest payments and principal repayments on the private placement loan notes are 97.8% hedged from a currency point of view and the overall percentage of our borrowings which have been swapped to fixed interest rates is 88%.

Profit before tax

The Group's profit before tax for the year was £16.5 million, an increase of £130.3 million on the loss before tax of £113.8 million reported in 2009. The main driver behind this increase is the significantly lower net impairment of intangible assets reported in 2010, £112.9 million lower than the net impairment charge reported in the prior year.

Tax Rate

The Group tax rate for the year, excluding non-recurring and IAS 21/39 items was 22.5%. This rate is considerably lower than the UK rate of 28%. The overall rate was reduced by the lower rates enjoyed in the Republic of Ireland and the Isle of Man.

There were also exceptional tax credits relating to the reversal of provisions made on the share warrants associated with the refinancing, a release of provisions held against prior tax years which have now been settled and the impact of the reduction in the rate of deferred tax. As noted previously, due to their nature and size, these amounts are reported as non-recurring.

Funding/Net Debt

Net debt at the year end was £386.7 million (excluding any reduction from unamortised debt issue costs), a reduction of £35.4 million on the prior year. The reduction of debt continues to be a key focus for the Board.

The funding of the Group throughout the year was under the finance arrangements put in place in August 2009. During the course of the year, the Group accelerated the committed reductions in the facilities which were scheduled in 2010 and 2011. This has resulted in the facilities being available to the Group now being £430 million, a reduction of £55 million. This reduction is in line with debt reduction over the last 18 months and still provides the Group with sufficient headroom within which it can operate comfortably as well as reducing our interest cost through lower non-utilisation fees, reduced private placement interest and reduced PIK accrual.

Although the current finance facilities do not expire until September 2012, the Group anticipates negotiating new facilities towards the end of 2011 to ensure that when preparing the 2011 Annual Report and Accounts the finance facilities available to the Group extend beyond 2012.

Net Asset Position

At the period end date, the Group had net assets of £411.2 million, an increase of £41.2 million on the prior year. This increase in net asset position is primarily due to the reduction in net debt of £35.4 million, the reduction in the deficit in the pension plan of £23.3 million and the reduction in tax liabilities (excluding the contingent liability) of £17.5 million, offset partially by a reduction in the net book value of property, plant and equipment (including assets held for sale) of £21.4 million and the net impairment of intangibles of £13.1 million.

Liquidity and Going Concern

The Board has undertaken a recent and thorough review of the Group's forecasts and the associated risks. These forecasts extend for a period beyond one year from the date of approval of these financial statements. The extent of this review reflected the economic outlook and the current trends, together with volatility in advertising revenues. The improved trends, in terms of reduced year-on-year declines that we experienced throughout 2010 are expected to continue through 2011. The forecasts make key assumptions, based on information available to the Directors, around:

- Future advertising revenues which show a reduced decline in the first half of 2011 with the balance of the year showing greater year-on-year stability reflecting the current external economic environment, consistent with current market views and recent advertising revenue trends.

- Further cost reduction measures to reflect these lower revenues and the ongoing re-engineering of the business.

- Reduced interest costs reflecting lower debt levels.

After applying reasonable downside scenarios to the key assumptions underpinning the Group's forecasts, the Directors are satisfied that the Group would continue to operate within the covenants determined by the financial facility agreements. The Directors therefore believe, on the basis of these current financial projections and facilities available, that the Company and Group have adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Pensions

The Group's defined benefit pension deficit has decreased by £23.3 million over the year. The reduction in the deficit has been the result of the following factors, both positive and negative.

Firstly investment markets, although they remained volatile over the course of the year, delivered returns in excess of those assumed by £18.1 million. Offsetting this there was a reduction in the discount rate applied to the scheme's liabilities which resulted in an increase in the value of liabilities of £27.0 million. There has been minimal change in the mortality assumptions used this year with a small decrease in the assumption relating to the expected rate of inflation resulting in a £6.0 million reduction in liabilities.

The Group has also been working with the pension fund trustees to manage the liabilities of the plan and as part of the process the pension fund was closed to future accrual on 30 June 2010. This resulted in a reduction in liabilities of £6.3 million (see curtailment gain in non-recurring items). The change in the statutory minimum for deferred pension increases from RPI to CPI has also reduced the liabilities of the scheme by £15.0 million and this, together with other movements totalling £4.9 million, made up the reduction.

Since the year end, the Group has also offered all existing pensioners the opportunity to take part in a pension exchange where, for a higher pension today, they give up a proportion of future increases. It is anticipated that this will further reduce the deficit by between £1.0 and £2.0 million when the exercise is completed by 31 March 2011. As this option will be offered to all remaining final salary members going forward, at the point of them taking their pension, there will be further liability reductions in the future.

The pension fund will also be subject to a triennial actuarial valuation carried out as at 31 December 2010. The results of this valuation will give rise to a new schedule of contributions and funding plan to reduce the deficit. The new schedule of contributions requires to be agreed by 31 March 2012.

Financial Reporting

In terms of this report, there are no significant changes in International Financial Reporting Standards from those in force at the end of 2009.

Control Processes

As discussed in the Corporate Governance Statement, the Group operates rigorous internal control processes that assist in the efficient operation of our 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, together with all cash processing and sales ledger balances for the mainland UK being controlled through a single centre in Leeds.

Earnings per Share and Dividends

Basic earnings per share of 5.61p are significantly up on 2009 (-13.66p) for the following reasons:

- An underlying improvement in operating profit; and
- Significantly reduced impairment charges in comparison to 2009; and
- Non-recurring tax credits totalling £25.9 million, relating to the reduction of liability for the share warrants associated with the refinancing, a release of provision for taxes in prior years now settled and the impact of the reduction in deferred tax rate; partially offset by
- Higher interest costs reflecting a full year of the facilities put in place in August 2009.

Excluding non-recurring and IAS 21/39 items, earnings per share at the basic level at 3.67p were down 1.86p on 2009.

There will be no dividend recommended by the Board relating to 2010. This reflects the Group's ongoing desire to further reduce debt levels within the business and is in accordance with the financing agreements entered into in 2009 which preclude the payment of any dividend until the ratio of net debt to EBITDA falls below 3.5 times.

Debt Reduction

The Group remains focussed on reducing indebtedness. Despite significantly higher interest costs, debt reduced by £35.4 million in the year.

- **Levels of capital expenditure were well controlled with expenditure almost fully offset by proceeds from disposals**
- **Pension fund deficit reduced by £23.3 million**

Principal Risks and Uncertainties

There are a number of potential risks and uncertainties that have been identified by management and which could have a material impact on the Group's long-term performance. This is not a complete list of all the risks identified but are those that the Directors feel could have the most 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 Group could also be affected by other risks not currently identified by the Directors or else not currently considered to be significant.

The risks listed immediately below are those that the Directors consider to be the most significant facing the business in terms of general economic conditions in the markets in which it operates. 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:

- Change in Gross Domestic Product (GDP)
- Change in unemployment rate
- Level of property transactions
- Level of new car sales
- Level of consumer confidence
- Public sector spending

Description of Risk	Potential Impact	Mitigation
Further Reductions in Classified Advertising		
Whether through migration to online media or reductions related to Government spending there is a risk that classified advertising in the Group's newspapers could reduce further.	With the prospect of economic recovery in the UK, historically there would have been a cyclical recovery in classified advertising. Further online migration and reductions in Public Sector spending could lead to the cyclical recovery being at lower levels than previously experienced.	The Group continues to develop its online classified offerings whether through partnerships or ongoing enhancements. The Group is also investing in its sales expertise to ensure a more proactive approach and that the sales proposition is fully understood by sales staff and customers.
Business Investment Requirements Constrained by Debt		
The Group has significant debt and is operating above its optimal level of gearing. Repayment of debt is therefore a priority but there is the risk that this focus on repayment means that no funds are available to invest in new revenue opportunities. However, the reduction of debt offers the best opportunity for a future refinancing on enhanced terms.	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.
Lifestyle and Technology Changes Affect Newspaper Circulations		
The availability of news through alternative media channels and a reduction in regularity of purchase is reducing circulations.	The reduction in circulations can lead to reduced newspaper sales revenues as well as reduced audience for our advertisers.	Loyalty schemes have been introduced to encourage increased frequency of purchase and our online news sites are continually upgraded to attract those readers who prefer to access news digitally.
Failure to Monetise Increased Readership of our News Websites		
This is an industry issue with online advertising rates being lower together with the charging for news content being difficult due to the existence of free alternatives.	Readership continues to migrate to a free digital environment where the advertising rates per reader are lower.	The Group has launched paid for news applications in the wireless environment and is following developments in the paid for content provision of news closely.

Description of Risk	Potential Impact	Mitigation
Newsprint Price and Supply Risk		
There is a risk to the business in terms of both supply and price of newsprint which, after staff costs, is the largest single expense incurred by the business.	Newsprint in 2010 made up 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 impact 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 presses in the industry. Contracts are put in place with key suppliers to ensure security of supply and optimum pricing.
Pension Deficit Funding		
The Group's defined benefit pension plan is currently in deficit leaving the Company with a potential shortfall it would be responsible for funding.	A requirement for the Group to increase the level of deficit funding payments to the pension plan would reduce funds available for investment in the business or reduce the level of debt repayment leading to higher interest charges.	In an effort to minimise further growth in the pension fund deficit, the Group has closed the plan to future accrual with the move for deferred pension increases from RPI to CPI also reducing the deficit over time. The Group is also considering further liability reduction measures.
Interest Rate and Foreign Exchange Risk		
The Group has a financial risk in terms of movements 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 should the exchange rates move adversely this could impact the net indebtedness of the Group.	The Group policy is that at least 50% of the interest rate exposure should be hedged; currently due to the low interest rates over 80% of the exposure is hedged. The US dollar denominated debt is over 97% hedged with respect to foreign exchange risk such that there is minimal risk on either the interest payments or the repayments of principal as and when they fall due. The euro denominated debt is approximately €15m and is more than matched by the value of euro denominated assets, with interest payments funded by euro cash flows from our Republic of Ireland operation.
Financing Risk		
The Group has finance facilities in place until 30 September 2012 which will require to be replaced by that date.	The Group still has significant debt which will require to be renegotiated in the future. The terms on which this refinancing might be carried out could be more onerous than those currently in place and therefore put a strain on the Group's cash flows.	Repayments of the existing facilities have been pulled forward such that those scheduled for 2011 were made in the second half of 2010. Debt is lower and the ratios have improved since the current facilities were put in place which should improve future pricing.
Adequacy of Resources		
Like most groups there is an element of dependency on certain key individuals in the organisation.	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 the main Board.

Corporate Social Responsibility

We aim to play an active and responsible role in the communities we serve – supporting local campaigns and reflecting the views of local people. In doing so, our dedicated staff play a vital role and, as a business, Johnston Press recognises the need to support them and promote their talents.

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 included in contracts of employment and in the Group's Corporate Social Responsibility Statement.

Business Ethics

The Company's code of ethics is supported by clear policies and procedures for addressing issues such as bribery, corruption, conflicts of interest, espionage and the giving and receiving of gifts. These policies have been reviewed in light of the Bribery Act 2010 and will be monitored as that Act is fully implemented. An acceptable use policy has been developed for all of the Group's assets including, but not restricted to, computer equipment, email facilities and use of the internet. This policy is issued to employees with supporting guidance and is designed to protect both the employee and employer from misuse of the Group's resources.

The Group always seeks to act as a fair and reasonable employer, and acknowledges and is keenly aware of its responsibilities to the many communities it serves; whether it is readers, customers, suppliers, shareholders, other stakeholders or the environment. A separate section is incorporated within this report detailing examples of some of the many community orientated activities in which the companies are involved.

Board Responsibility

The Board has delegated the day-to-day responsibility for all matters related to Corporate Social Responsibility and social issues to the Executive Directors. They are assisted by Peter McCall, the Company Secretary, who is generally the first point of contact.

Specific responsibility for environmental issues was delegated to Stuart Paterson, the Chief Financial Officer, who also chaired the Group's Carbon Footprint Taskforce (which will be chaired by the Company Secretary going forward).

While recognising that recruitment, employment and training practices are the responsibility of all managers, responsibility for formulating, updating and ensuring adherence to Group policies and relevant legislation has been delegated to Malcolm Vickers, the Director of Human Resources, who reports to John Fry, the Chief Executive Officer.

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

As part of the Board's ongoing review of Corporate Governance, the Directors review issues covered by the Company's Corporate Social Responsibility Statement on a regular basis.

The Company seeks to 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 ongoing risk analysis.

Health & Safety

The Group has rigorous health and safety management and reporting processes in place. Health and safety is at the core of our operations, and is a specific item on all business agendas at local, divisional, Group and Board levels. There are Health & Safety Committees in every Group

Table 1 - Health & Safety Statistics
Accident Reporting

	2010	2009	2008	2007
Average total employees in the Group (FTE)	**5,502**	6,146	7,124	7,664
Employees involved in accidents	**252**	273	359	409
- Publishing	**3.5%**	3.2%	3.9%	3.8%
- Printing	**17.0%**	15.7%	14.4%	17.8%
- Total	**4.6%**	4.4%	5.0%	5.3%
Employees with RIDDOR reportable accidents	**33**	30	44	38
- Publishing	**0.4%**	0.3%	0.5%	0.4%
- Printing	**2.7%**	1.9%	1.8%	1.5%
- Total	**0.6%**	0.5%	0.6%	0.5%
Total working days lost through accidents	**533**	881	1,197	718

Company and the Chief Operating Officer chairs the Group Health & Safety Committee, which instructs and reviews audit visits, monitors compliance with Group policies, ensures those policies are kept up to date and spreads best practice. Early in 2011 the Group appointed a new Group Health & Safety Manager, reporting to the Managing Director of the Services Division.

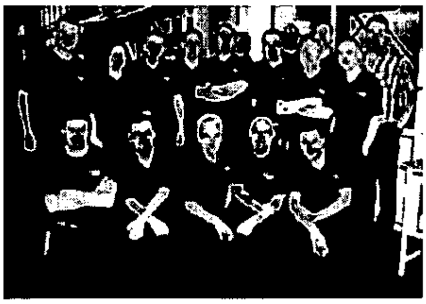
Our consistent reporting processes have now been in place for more than six years allowing performance over time to be measured. These procedures ensure that every accident is reported and this reporting is a key part of our control environment. It should, however, be noted that the vast majority of these are not reportable under RIDDOR requirements.

Given our focus on health and safety, it was disappointing that our accident rate increased in 2010 (although the overall number of accidents was down). In part, this is a product of an ever greater focus on reporting but it is clear that the Group must do more to tackle the causes of the accident rate with RIDDOR reportable incidents involving an absence of three days or more increasing from 23 to 27. The new Group Health & Safety Manager will have responsibility for addressing this issue.

The Group has maintained campaigns in the workplace to reinforce the dangers relating to slips and trips and manual handling accidents to try to continually improve working practices and safety performance. The Group Health & Safety Committee has also started inviting companies with leading health and safety performance to attend its meetings to learn from their experiences and share best practice. In addition, there is a rolling programme of independent audits covering property and health and safety risks. These are targeted at the locations which have the highest risk profile along with a sample of other sites.

Total working days lost again reduced sharply in 2010 continuing the trend since 2008 and remained well below the national average.

Dinnington print crew.



Employee Involvement

Employees

We employ over 5,900 employees in the UK and Republic of Ireland and our aim is to attract, retain and engage the best people in a challenging and supportive culture that drives business performance.

Employment Policies
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 also allow any employee to report behaviour that is contrary to our policies or is in any way concerning to them.

Employee Representation
We recognise a number of trade unions at a subsidiary level in both the UK and in the Republic of Ireland. We also have employee forums at a Group and subsidiary level for the purposes of communication and consultation.

Diversity
The Group recognises that a diverse workforce adds clear value to our employees, our customers, our shareholders and the communities we serve. We fully support the principle of equal opportunity for all and oppose all forms of illegal and unfair discrimination.

Learning & Development
In 2010, approximately 1,000 programmes covering all aspects of our business including Advertising, Editorial, Digital Media, Newspaper Sales, Finance, Health & Safety, IT and HR were delivered. In particular, we invested heavily in editorial programmes related to the roll-out of our new Content Management System which is now used throughout the Group with around 1,800 editorial staff attending workshops which were supplemented with on-site support.

Identifying and developing leadership talent at all levels, as well as succession planning, will continue to be a priority. In support of this we are revising our long-established managerial and leadership development programmes.

Workforce Statistics
Our total workforce is represented by 49.0% male and 51.0% female and our age profile is as follows:

Over 60	6.9%
50 – 59	19.0%
40 – 49	23.5%
30 – 39	25.2%
Under 30	25.4%

Reward & Recognition
Our subsidiary businesses have differing pay structures based on the size of their organisation and local market conditions. Progression within these pay structures is based on competence, achievement of qualifications and performance. We also operate bonus schemes for executive and sales staff. A Free Share award under the Company's Share Incentive Plan was made in respect of 2010.

Disability Access
Our Disability Access policy is included in our Personnel Policies and Procedures manual. As part of our ongoing property and health and safety audits we continually review the provisions made at all of our locations to ensure that we do not discriminate (in terms of access) against disabled employees or customers. We also ensure that any refurbishment or upgrading to our premises, where practical, takes into account the need to enhance access for all of our disabled stakeholders.

Reflecting the importance of our digital publishing activities, the Group continues to make improvements to its core internet sites in accordance with WCAG 2.0 accessibility standards, in line with W3C recommendations. As we continue to implement improvements, the level of support for our users accessing our sites via screen readers will advance.

Campaigns

Our newspapers and websites cemented their positions at the hearts of their communities with a wide range of hard-hitting editorial campaigns.

They targeted issues that were hugely important to readers, including domestic violence, poverty and deprivation, green projects, unemployment, better transport and parking, road safety, pensioners' wellbeing, improving broadband connections and recognition for war-time efforts.

Publications also variously fought to save hospital, health and hospice services, to retain local services such as libraries and fire stations, to support local industries and to obtain better sports facilities.

Case study: Save Our Pier – Hastings Observer's campaign to see the disused and rotting Hastings Pier brought back to life

The Hastings Observer launched a campaign in June 2010 to bring Hastings Pier back to life after it had lain disused for several years. Research showed the town had missed out on an estimated 750,000 visitors and millions of pounds in tourism income while it was disused.

The aim was to persuade the council, which was against renovation, to change its mind. Thousands of signatures were obtained for a petition and the paper printed full page copies of Save Our Pier posters which were displayed in windows and cars. The council was urged to secure a compulsory purchase order from the current owners and hand over the pier to the Hastings Pier and White Rock Trust.

As pressure mounted, the council agreed to start compulsory purchase and conceded a study into the viability of renovation ... and then came the devastating fire in October that destroyed 90 per cent of the historic pier and saw pictures of Hastings on national and world television.

The Observer won plaudits for its coverage of the blaze but, more importantly, it refused to give up its campaign, capturing perfectly the sentiment of Hastings people who did not want to admit defeat.

From the ashes has grown a campaign with renewed vigour. By the end of 2010 six award-winning firms of architects had been interviewed for the task of redesigning the pier. On the panel was the Observer's editor-in-chief, Keith Ridley.

The campaign rolls into 2011 with the aim of reopening a modern pier in 2013 providing the Trust can secure millions of pounds of funding. The Observer remains firmly committed to the goal.

Fund-raising

Raising funds and encouraging readers to support local causes is a key objective for our newspapers and websites and 2010 proved an exceptionally successful year despite the tough economic climate.

In addition to the traditional support and coverage for Sport Relief, Comic Relief and Children in Need, our titles raised hundreds of thousands of pounds for a huge range of community facilities, charities and health services, and for projects to create jobs and carry out conservation work on historic landmarks.

How the Observer broke the news of the devastating fire.

Raising funds and encouraging readers to support local causes is a key objective for our newspapers and websites and 2010 proved an exceptionally successful year despite the tough economic climate.

Case study: £2.7 million raised to save Dutch masterpiece for the nation
A Yorkshire Post campaign to keep an Old Master on English shores captured the interest of thousands of people who helped raise the £2.7 million needed for the National Trust to buy the masterpiece from its private owners.

Pieter Brueghel the Younger's stunning 1602 painting The Procession to Calvary was at risk of being taken out of Yorkshire where it had been on display at Nostell Priory, near Wakefield, for more than two centuries and enjoyed by hundreds of thousands of visitors.

The Yorkshire Post championed the drive to ensure the painting could stay on public display and not, in the worst case scenario, leave the country.

Other Johnston Press titles in Yorkshire provided additional coverage and members of the public, many of whom had seen the Old Master on display, contributed generously.

The final £1 million came from a National Heritage Memorial Fund grant and by the end of 2010 the painting had been purchased. It will once again be on display at Nostell Priory.

Peter Charlton, Editor of the Yorkshire Post, said: "This was an unusual campaign for the Yorkshire Post but the masterpiece had been associated with the region for more than 200 years and certainly caught our readers' imagination. As the region's paper, we thought such a remarkable painting should not be lost to the county - let alone the nation.

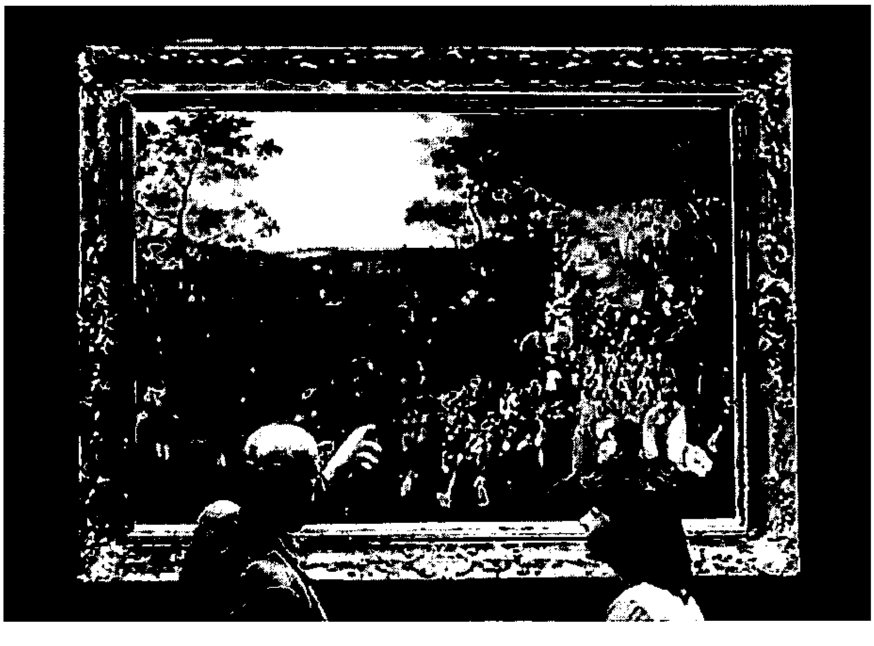
"We were able to raise the profile of the campaign with the result that no less than £680,[illegible] of the £2.7 million raised was donated by members of the public. It was a tremendous achievement particularly given the economic climate. As a newspaper, we are proud to have played a part in saving a major piece of art work from being sold overseas."

Community Involvement
Johnston Press newspapers and websites excel at engaging with their readers and 2010 was no exception. Awards ceremonies recognising a wealth of individual and group achievements are held in virtually every community we serve, covering unsung heroes, children, volunteers, business, environment, energy, theatre, commitment to community, and sport.

We're heavily involved with schools and encouraging young people to interact with their local newspaper through projects, visits and creating advertisements and pages for actual publication.

We provide people with a forum for airing their views, with opportunities to meet politicians and other decision-makers and with the chance to shape their own newspapers and websites through reader panels.

With the help of our readers, The Procession to Calvary has been kept at Nostell Priory.



Case study: The big red sofa – reaching out to the public in the Kettering area
Kettering Evening Telegraph editor Jeremy Clifford used a big red sofa as part of a campaign to enhance the role of the newspaper and its reporters in local communities. He hired it to place in shopping centres for "Meet the Editor" days when streams of people came to sit on the sofa and discuss issues with Jeremy and other key people including the company's MD and local politicians.

Jeremy said: "It was a bit like being Parky for the day. Interviewing people but also bringing members of the public into contact with people they would not normally meet or talk to. One old lady met the editor and the mayor of the town - she went away saying we had made her day. The best feedback we had was people just wanting to come and talk to me about what they thought about their community and what they would like to see improved."

Readers were also invited to attend weekly surgeries with reporters in a variety of public places and to share their views of their newspaper and community and how they'd like to see them improve or grow.

Breaking News Before the Nationals
Our daily and weekly titles continue to lead the way breaking news before the national media and keeping our readers instantly in touch with the headlines via continuously updated websites.

Many of our exclusives and reports are followed up by national and international media and we take pride in striving to be the first to tell our readers what they need to know.

Case study: Forgemasters loan U-turn in Sheffield
The Sheffield Star was the first to highlight the highly controversial Forgemasters loan issue. The newspaper led with the story that the new Coalition government had backed out of an £80 million loan, which would have enabled the iconic steel firm to re-tool to produce parts for the nuclear power industry.

The story was picked up by the national press and the issue became and remains a major problem for Sheffield MP and Deputy Prime Minister Nick Clegg.

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

Our "Meet the Editor" days allowed readers to give their views directly to the man producing the newspaper.

Local management in each operation are responsible for ensuring that their companies and all their employees comply with the requirements of all customer and competition related legislation. To monitor this, and for training purposes, the Group undertakes "mystery shopping" exercises.

With the consolidation of our regionalised call centres, the Group is striving to increase the levels of response, professionalism and overall experience for our customers.

Major awards won in 2010:

Best Daily Newspaper
Yorkshire Post


YORKSHIRE POST

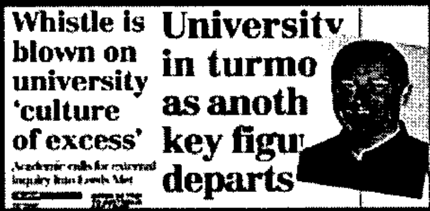
THE BEST POSSIBLE TASTE

Why Yorkshire's independent food shops are thriving

Gambler runs up

Hopes of job bonanza as

Scoop of the Year
Rob Waugh, Yorkshire Post


Whistle is blown on university 'culture of excess'

Universitv in turmo as anoth key figu departs

Photographer of the Year
Ian Robinson, Lancashire Evening Post


Pictures by Ian Robinson

Our journalists won a number of awards during the year.

Scottish Press Awards

Sports Features Writer of the Year	Tom English, Scotland on Sunday
Magazine Writer of the Year	Catherine Deveney, Scotland on Sunday
Young Journalist of the Year	Victoria Raimes, Edinburgh Evening News
News Photographer of the Year	Jane Barlow, The Scotsman
Cartoonist of the Year	Brian Adcock, Scotland on Sunday
Multimedia Journalist of the Year	Nick Mitchell, Scotsman.com

O2 Media Awards (Yorkshire & Humber)

Best Daily Newspaper	Yorkshire Post
Best Overall Newspaper	Yorkshire Post
Scoop of the Year	Rob Waugh, Yorkshire Post
Young Journalist of the Year	Kate Mason, Doncaster Free Press

O2 Media Awards (Northwest)

Young Journalist of the Year	Natalie Banks, Chorley Guardian
Photographer of the Year	Ian Robinson, Lancashire Evening Post
Digital Journalist of the Year	Will Watt, Blackpool Gazette

NUJ Regional Press Awards

Newspaper of the Year	The News, Portsmouth
Multimedia Journalist of the Year	Sion Donovan, The News, Portsmouth
Sports Journalist of the Year	Neil Allen, The News, Portsmouth
Designer of the Year	Graeme Windell, The News, Portsmouth
Feature Writer of the Year (Daily & Sunday)	Jayne Dawson, Yorkshire Evening Post

Midlands Media Awards

Weekly Photographer of the Year	Angela Ward, Mansfield Chad

EDF Energy London & South of England Media Awards

Sports Journalist of the Year	Neil Allen, The News, Portsmouth
Designer of the Year	Pete Gavan, The News, Portsmouth

A number of awards were presented to our newspapers by the communities they serve.

Sunderland Echo: RNLI's regional winner of the 2010 Supporters Awards for its Launch a Lifesaver fund-raising campaign which raised £15,000 to train a volunteer lifeboat recruit for a year.

Northumberland Gazette: The office in Alnwick won the best business in the Northeast in the Northumbria in Bloom competition

Scarborough Evening News: Top Media Coverage award from Yorkshire Air Ambulance

The News Letter, Belfast: Regional winner of the Royal British Legion's Friends of the Forces Awards

Derry Journal: Irish Road Safety Authority's 'Leading Lights' award

Rutland & Stamford Mercury: Rotary Club of Stamford Service Recognition Award

Grantham Journal: Rotary International Paul Harris Fellow award (highest award in Rotary); Education Business Partnership Lincoln and Rutland Investors in Education Award

CARBON TRUST STANDARD

REDUCING CO2 YEAR ON YEAR

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

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

Case study: **Achieving Carbon Trust Standard Certification**
The Company achieved Carbon Trust Standard Certification last year which is a national recognition of our efforts to reduce carbon dioxide emissions across the business.

Crucially, the certification is for the entire business - not just one or two premises – something considered a significant achievement in the industry.

Energy management consultant Trevor Brown, who has worked with the Group for 10 years, said it would have been relatively easy to achieve the Standard at, for example, two of the bigger printing sites, but the objective was to be certified across the whole organisation.

It was a daunting task and involved an intensive period of review and documentation, covering three years worth of historical energy data before the certification was awarded. Trevor describes the result as "an Olympic gold for JP" and one that was only made possible with full support from within the Group.

The Company achieved an overall 'pass mark' of 74 per cent: the required rate is 60 per cent.

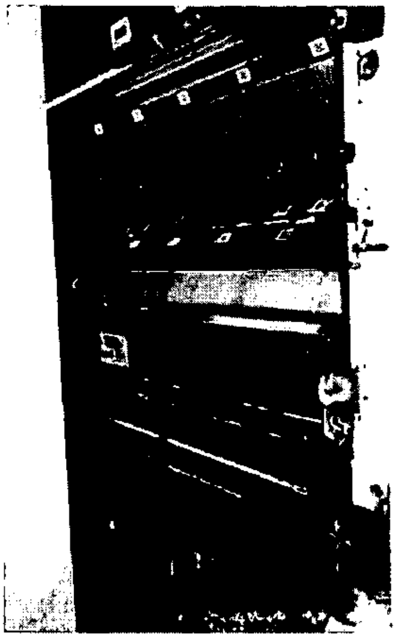
A number of energy-efficiency steps were taken, including replacing standard light fittings with low energy ones in press halls and offices, switching to 'smart' plugs which use less electricity, upgrading gas boilers and installing sensor lighting in appropriate areas and time clocks on vending machines to switch them off when offices are empty.

The reduction in carbon dioxide emissions for the audited period was over 15% equating to 6,970 tonnes of CO2. A significant amount of this reduction can be directly attributed to energy efficiency projects implemented by the Group and supported by the Carbon Footprint Taskforce initiatives.

Energy and Climate Change
Climate reduction requirements implemented in the UK this year will force companies to forecast how much carbon dioxide they will produce. Those achieving Carbon Trust Standard Certification and who adopt automatic meter reading attain higher placings in the expected league tables, and Johnston Press is now positioned to perform well.

A rolling programme of internal audits of environmental impacts and risks is conducted throughout the year. Additionally audits by external independent consultants have continued in order to verify the findings of these internal reviews.

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



targeting sites where base load consumption levels are not showing required reductions and subjecting them to detailed audits.

Table 2 below summarises the consumption of energy.

Budgets for 2011 encompass further year-on-year improvements and new longer term targets will be set by the Carbon Footprint Taskforce in conjunction with our external advisers.

We have also continued to make progress on reducing the Group's car and van fleet and CO2 ratings. Although the size of the fleet grew, the replacement vehicles generally had lower CO2 ratings, giving an average reduction of 3.7%. Full details are shown in table 3.

Newsprint

Since 1991 the industry, through the Newspaper Society, has agreed targets with the Government on the recycled content of British newspapers. The targets were recently restated in consultation with the Government to make the definition more meaningful to the actual process of waste collection, de-inking and the conversion to 100% recycled newsprint. In 2009 the recycled content of UK newspapers was 76.2%. Johnston Press sources over 80% of its newsprint supply from 100% recycled suppliers.

Emissions to Air

The Group decommissioned its last heatset press during 2009, along with its oxidiser unit which continued to remove pollutants with an efficiency of 99.6% up until the press was shutdown. As a consequence, the Group had no emissions to air in 2010.

Waste

Water and solvents continue to be cleaned and recycled on site wherever possible. The Group's largest production facility at Dinnington near Sheffield continues to be classed as a low water user by the local Environmental Agency.

The Group continued its relationship with two industry leading waste partners and remains committed to optimise the recycling of waste streams through waste management and segregation. All paper waste is returned to paper mills for recycling, and is used in the production of new paper based products. The aluminium printing plates are returned to their raw material state for many uses. Cardboard, plastic and wooden packaging is cleaned and converted into

Table 2 - Consumption of Energy

	2010	2009	%	2008	%
Electricity					
- kWh	**42,589,773**	49,362,652	(13.7)	55,505,620	(11.1)
- print centres kWh/tonne	**143.1**	160.0	(10.6)	171.9	(6.9)
Gas					
- kWh	**23,911,427**	24,213,684	(1.2)	28,309,064	(14.5)
- print centres kWh/tonne	**37.0**	51.6	(28.3)	62.6	(17.6)
Water					
- m^3	**94,116**	85,598	10.0	104,379	(18.0)
- print centres m^3/tonne	**0.37**	0.27	37.0	0.34	(20.6)

Table 3 - Motor Vehicle Data

	2010	2009	%	2008	%	2007	%	2006	%
Total Fleet (No of vehicles)	**1,701**	1,631	4.3	1,811	(9.9)	2,057	(12.0)	2,109	(2.5)
Total Fleet CO2 rating	**267,715**	265,321	0.9	296,425	10.5	338,154	(12.3)	355,145	(4.8)
Average CO2 rating	**157**	163	(3.7)	164	(0.6)	164	(0.7)	168	(2.4)

animal bedding, plastic piping and woodchip landscaping. All chemical waste is treated through audited and certificated waste processes and where possible any oil based residue is separated and converted into fuel.

Environmental Policy
The Group's environmental policy is to ensure that every aspect of our activities is conducted in accordance with sound environmental practices.

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

Carbon Footprint
The Group established its Carbon Footprint Taskforce in 2008. This taskforce developed the Group's environmental policy and is responsible for co-ordinating the Group's activities in this area.

The aims of the Carbon Footprint Taskforce are as follows:

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

The Group continues to work in partnership with Dell, its principal supplier of IT equipment, to develop a disposal channel for redundant IT equipment.

Shareholders
Members of the Board have met a number of shareholders during the past year to discuss Corporate Governance and Corporate Social Responsibility matters and to address any questions raised by them.

Board of Directors

From left to right:

Ian Russell, CBE
Chairman (58)
Joined the Board in 2007. Chairman of the Nomination Committee. Chairman of Advanced Power AG and of Remploy Ltd, Non Executive Director of the Mercantile Trust plc and British Assets plc, adviser to Clyde Bergemann Power Group and Chairman of the campaign board for the University of Edinburgh.
irussell@johnstonpress.co.uk

Camilla Rhodes
Non Executive (52)
Joined the Board in 2009. Member of the Nomination, Audit and Remuneration Committees. Former Managing Director of Times Newspapers and News Group Newspapers, News International.
crhodes@johnstonpress.co.uk

Danny Cammiade*
Chief Operating Officer (50)
Joined the Board in 2005. Joined the Group in 1992 through its acquisition of TR Beckett Ltd. Appointed Managing Director of West Sussex County Times Ltd in 1994 and held various Divisional Managing Director roles until appointed Director of Operations in 2001. Chairman of the Newspaper Society Marketing Committee.
dcammiade@johnstonpress.co.uk

Stuart Paterson*
Chief Financial Officer (53)
Joined the Board in 2001. A Chartered Accountant and former Finance Director of Aggreko plc. Non Executive Director of Devro plc and Mirago plc. He will step down from the Board on 15 March 2011.
spaterson@johnstonpress.co.uk

Ralph Marshall
Non Executive (59)
Joined the Board in 2008. Member of the Nomination Committee. Executive Director of Usaha Tegas Sdn. Bhd. Serves on the Boards of several companies listed on the Bursa Malaysia Securities Berhad including Astro All Asia Networks plc as Executive Deputy Chairman.
rmarshall@johnstonpress.co.uk

Geoff Iddison
Non Executive (53)
Joined the Board on 1 January 2010. Chairman of the Remuneration Committee and member of the Nomination Committee. Global head of e-commerce and m-commerce for Mastercard. Previously Chief Executive of Jagex Limited.
giddison@johnstonpress.co.uk

Peter McCall*
Company Secretary (39)
Joined Johnston Press as Company Secretary and Corporate Counsel in November 2009. Company Secretary of Kenmore Property Group Ltd until October 2009 and previously Deputy Company Secretary of British Energy Group plc.
pmccall@johnstonpress.co.uk

John Fry*
Chief Executive Officer (54)
Joined the Board in 2009. Formerly Chief Executive of the Norwich based regional media group, Archant. Previously President of Dun & Bradstreet for UK, Europe, Middle East and Africa, and a consultant with Bain & Company. Non Executive Director of James Southall & Co Ltd.
jfry@johnstonpress.co.uk

Kjell Aamot
Non Executive (60)
Joined the Board in August 2010. Member of the Audit and Nomination Committees. Formerly Chief Executive Officer of Schibsted ASA, the Norwegian publisher, from 1989 to 2009. A Non Executive Member of the Board of 20Minutes (a publisher of free papers in France) in which Schibsted has a 50% interest, a Non Executive Member of the Board of PubliGroupe, a Swiss based listed marketing and sales organisation, and an advisor to FSN Capital, an Oslo based private equity firm.
kaamot@johnstonpress.co.uk

Mark Pain
Non Executive (49)
Joined the Board in 2009. Chairman of the Audit Committee and member of the Nomination and Remuneration Committees. A Chartered Accountant and former Group Finance Director at Barratt Developments Ltd and Abbey National Group plc. Non Executive Director of Punch Taverns plc, Northern Rock plc and LSL Property Services PLC.
mpain@johnstonpress.co.uk

* Also in Senior Management Team

Senior Management Team

From left to right:

Gary Fearon
Divisional Managing Director
South Division

Lindsay Dixon
Group Head of Finance

Malcolm Vickers
Director of Human Resources

Roger Davies
Group IT Director

Nick Mills
Divisional Managing Director
Midlands Division

Steve Brown
Divisional Managing Director
North Division

David Crow
Divisional Managing Director
Group Services Division

Jean Long
Divisional Managing Director
Ireland Division

Chris Pennock
Group Newspaper Sales
and Marketing Director

Michael Johnston
Divisional Managing Director
Scotland and NE England Division

Chris Babayode
Group Commercial Director

Henry Faure Walker
Digital and Business Development Director

Corporate Governance

In May 2010 the Financial Reporting Council published the United Kingdom Corporate Governance Code which applies to all companies for financial years beginning on or after 29 June 2010 (the "New Code"). Although 2011 is the first year during which the Company is required to comply with the New Code, it sought to be compliant with relevant aspects of it prior to the end of 2010. The Company is committed to the principles of Corporate Governance contained in both the revised Combined Code on UK Corporate Governance that was issued in 2008 ("the Code") and to the New Code, for which the Board is accountable to shareholders.

Statement of Compliance with the Code
The Company has complied with the applicable provisions set out in Section 1 of the Code throughout the year, other than a departure from Section A.3.2 between May and July 2010 when, due to retirements, the Board was temporarily unbalanced in terms of the proportion of independent Non Executive Directors. This was addressed through the appointment of Kjell Aamot in August 2010.

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

DIRECTORS
Board Effectiveness
The Board considers that it has shown its commitment to leading and controlling the Company by meeting seven times in the year, and can meet when necessary for any matters which may arise. The Remuneration Committee held six scheduled meetings, the Audit Committee three and the Nomination Committee two.

The Board sets the strategic aims and objectives of the Group, ensuring that the Group has sufficient financial and human resources to meet its objectives. The Board also sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met. Management is responsible for the application of the aims and objectives on a day-to-day basis, as well as monitoring the financial achievements of the business. The Board reviews the performance of management in meeting the agreed objectives and goals, 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. The core values of the Board are integrity, independence and objectivity. All Directors must take decisions in the interests of the Company and all of its shareholders.

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

In addition to the normal agenda at Board meetings, which is described below, the Directors consider one or more operational or special topic at each meeting. During the last twelve months this has included business risks, circulation and audience reach of paid for newspapers, national sales, digital publishing, the Group's debt facilities, human resource requirements and implementation of major IT systems.

Board Meeting Agenda
The Board receives a formal schedule of matters specifically reserved to it for decision, such as future strategy, acquisitions and disposals, dividend policy, approval of the Annual Report and Accounts, capital expenditure, trading and capital budgets and Group borrowing facilities. At each meeting, the Board considers reports from the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and the Director of Digital and Business Development. The Minutes of the Board and Committees are circulated to all Board members. The Company Secretary is responsible to the Board for the timeliness and quality of information provided to it.

Board Responsibilities
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. Mark Pain succeeded Peter Cawdron as Senior Independent Director on 30 April 2010 following the latter's retirement from the Board. 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 2010, the Nomination Committee was chaired by Ian Russell. The Remuneration Committee was chaired by Peter Cawdron until 30 April 2010 when Geoff Iddison succeeded him. Mark Pain chaired the Audit Committee throughout 2010.

The terms of reference of each of the Board's Committees were reviewed and amended by the Board during 2010 and the updated terms are displayed on the Company's website in the Investor Centre section.

Board Attendance
All Directors are expected to attend all Board and Board Committee meetings of which they are a member unless unable to do so. The table on the next page indicates their attendance during the year:

	Board	Remuneration Committee	Audit Committee	Nomination Committee
Scheduled meetings	*(7)*	*(6)*	*(3)*	*(2)*
Ian Russell	7	–	–	2
John Fry	7	–	–	–
Stuart Paterson	7	–	–	–
Danny Cammiade	7	–	–	–
Peter Cawdron[1]	3	3	–	–
Freddy Johnston[1]	3	–	–	–
Martina King[1]	3	3	1	–
Ralph Marshall	7	–	–	2
Mark Pain	7	6	3	2
Camilla Rhodes[2]	6	2	3	2
Geoff Iddison	7	6	–	2
Kjell Aamot[3]	3	–	1	1

1 Retired 30 April 2010.
2 Appointed to Remuneration Committee on 4 March 2010. Attended 2 of 3 scheduled Remuneration Committee meetings arranged subsequent to her appointment.
3 Appointed to the Board on 1 August 2010 and to the Audit Committee and Nomination Committee on 1 September 2010. Attended all scheduled Board and Committee meetings arranged subsequent to his appointment.

Board Balance and Independence
Of the Company's current nine Directors, three are Executive and the remainder Non Executive, of whom four are regarded as independent, excluding the Chairman and Ralph Marshall. As a consequence of the retirement of Freddy Johnston, Martina King and Peter Cawdron at the conclusion of the Annual General Meeting on 30 April 2010, the Company temporarily did not comply with the requirement of the Code that at least half of the Board (excluding the Chairman) should consist of independent Non Executive Directors. The Company addressed this through the appointment of Kjell Aamot who joined the Board as an independent Non Executive Director on 1 August 2010. Following that appointment, the Board is satisfied it had a sufficient independent Non Executive element to satisfy the requirements of the Code.

Ralph Marshall is regarded as non independent because he was appointed to the Board as the nominee Director of Usaha Tegas which owns 20% of the Company's issued ordinary share capital.

Nomination Committee
The Nomination Committee is chaired by Ian Russell. The Company Secretary acts as secretary to the Committee. Reporting to the Board, its duty is to regularly review the structure, size and composition of the Board, to seek suitably skilled and experienced candidates as Non Executive Directors with sufficient time to devote to the role and to oversee 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 need to encourage diversity within the Board's membership. Its terms of reference were revised in 2010 to reflect the provisions of the New Code. Once the role of a vacancy has been determined, the Committee may appoint external recruitment consultants to assist with the search. In addition to Mr Russell, the Nomination Committee comprised Geoff Iddison, Mark Pain, Camilla Rhodes and Ralph Marshall throughout the year. Kjell Aamot joined the Committee on 1 September 2010. Under the guidance of the Nomination Committee, the Company has been conducting an exercise to appoint a new Executive Director to the position of Chief Financial Officer following the resignation of Stuart Paterson on 26 October 2010. On 4 March 2011, the Company announced the appointment of Grant Murray as the new Chief Financial Officer. Mr Murray will start with the Company on 3 May 2011. As John Fry, Chief Executive Officer, has indicated his intention to step down over the course of the next year, the Committee will start the process to identify suitable candidates for the position.

Information and Professional Development
A detailed induction programme was arranged for both Geoff Iddison and Kjell Aamot. Mr Iddison also received detailed training in respect of his appointment as Chairman of the Remuneration Committee. In each case, training included meetings and discussions with advisers and senior management where appropriate, together with the provision of a full induction guide and seminars (both internal and external). The Company formalised its written induction guide for new Directors in 2010.

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 in respect of all matters connected to their duties and he is responsible for ensuring that all Board procedures are complied with.

Training
Training is undertaken as required during the year. This encompasses a variety of topics, industry specific and technical issues, as well as governance and corporate social responsibility. The feedback from the recent board evaluation self-assessment exercise will assist in setting the training plan for 2011. The Company arranged for its Non Executive Directors to visit at least two of the Group's centres during 2010 where they received a presentation and a tour of the business. Individual Directors also attended a range of seminars presented by professionals throughout the year.

When the Non Executive Directors meet without the Executive Directors present, training 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. There was a continued emphasis on a scoring system for assessing individual, Committee and Board performance. The Company Secretary prepared a summary of the conclusions which was presented to the Board meeting in January 2011. Separately, the Secretary produced a detailed report summarising any individual recommendations for the consideration of the Chairman. This was followed up by meetings as appropriate between the Chairman and individual Directors. Reviews of Board Committees were undertaken by Committee members as well as the Board as a whole. The results of the process were positive and confirmed the effectiveness of the Board and relevant Committees as well as the contributions of individual Directors. Under the provisions of the New Code, evaluation of the boards of FTSE 350 companies should be externally evaluated every three years. At present the Board does not propose to undertake an external evaluation while it remains outwith the FTSE 350 index. However, the position will be kept under review.

Board Re-election

It is the policy of the Board that all Directors are subject to election at the first Annual General Meeting after their appointment and thereafter to re-election every three years. All Non Executive Directors who have served nine years or more and who wish to stand for re-election, are subject to re-election annually. The Company is not currently a member of the FTSE 350 index of companies and is therefore not required to comply with provision B.7.1 of the New Code which requires all directors of companies in that index to be subject to annual re-election. At present the Board does not propose that all Directors stand for annual re-election while it remains outwith the FTSE 350 index. However, the position will be kept under review.

The Nomination Committee and Mr Russell as Chairman have, following the formal evaluation process described above, considered the performance of the Directors subject to election or re-election at the 2011 Annual General Meeting and are satisfied that those individuals performance continue to be effective and that they have demonstrated a clear commitment to the role.

Separately during the course of the year, the Non Executive Directors met without Mr Russell to review his performance as Chairman and were satisfied that he continues to be effective and has demonstrated a commitment to the role.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual 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 accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company 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 UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

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

Going Concern

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further detail is contained in the Business Review on pages 10 to 25.

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 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 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 Internal Financial Control Committee (IFCC). The Audit Committee assists the Board (which maintains responsibility in this regard) in discharging its review responsibilities.

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 ongoing continuous process during the period under review have been:

- Formal Board reporting on a monthly basis by the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer on the Group's performance and on any emerging risks and issues. The monthly management accounts break down the results of the Group's operations into its two reportable segments and then by individual business performance. All significant variations against budget and the previous year are fully examined. The day-to-day responsibility for managing each of the Group's operations rests with local experienced senior executives and the Group has a clear organisational structure which includes appropriate delegation of authority. The Executive Directors ensure that regular contact is maintained with all senior executives. The Group Management Board, which comprises the Executive Directors, the Company Secretary, the Group Head of Finance, the Director of Human Resources and the Digital and Business Development Director met every month during the year to review financial and operational issues as well as the risks facing the Group. From January 2011 this body has met along with Divisional Managing Directors and other senior executives from throughout the Group as a Senior Management Team.

- Formal Board approval for capital expenditure over £250,000 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 IFCC based on a programme of work agreed in advance. The IFCC is chaired by the Group Head of Finance who is responsible for the conduct of control reviews in selected locations by members of the Committee who are independent of the location visited. The IFCC is also responsible for the review of detailed financial control checklists submitted monthly by each operation to the Group 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.

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

- The conduct of risk assessment involving all senior managers of the Group's businesses in addition to the Executive Directors. A risk matrix is reviewed on a regular basis throughout the year by both the local operations and the Senior Management Team. One risk is discussed at every monthly executive meeting 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 Chief Operating Officer's monthly report to the Board. During 2010, the Group Management Board considered customer care metrics; human resources; pension liabilities; newsprint; cuts in public spending; banking covenants; national advertising sales; management succession planning; digital strategy; management stretch; daily newspaper sales; and corporate strategy.

Steps are taken on an ongoing 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, the Group Management Board set policies, procedures and standards as detailed in the Group's policy guidelines. These are reviewed and revised on an annual basis and a tailored version has been issued to the businesses in the Republic of Ireland and Isle of Man. The guidelines include policies on:

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

At the Board meeting in March 2011 the Directors reviewed the need for an internal audit department and concluded that they did not believe it necessary for the Group to maintain such a department given the very effective role played by the IFCC and the current independent review and monitoring procedures in operation.

AUDIT COMMITTEE AND AUDITORS

Summary of 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.

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 Group's internal financial controls and the Group's internal control and risk management systems;
- monitoring and reviewing the effectiveness of the IFCC and making proposals to the Board as to the need, or otherwise, for an internal audit function;
- 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;
- developing and implementing a policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding provision of non-audit services by the external audit firm; and
- reviewing the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other areas.

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 make 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 relevant financial expertise for that role. Camilla Rhodes (who was appointed to the Committee on 1 January 2010) and Kjell Aamot (who was appointed to the Committee on 1 September 2010) are also members. All are independent Non Executive Directors.

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

Meetings

The Audit Committee is required to meet 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, Chief Executive Officer and Chief Operating 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 auditors. The Audit Committee Chairman also has a private meeting with the external audit partner during the course of the year to discuss any relevant issues.

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

Two of the scheduled meetings followed the interim review and the year-end audit.

They covered comprehensive reports from management on material accounting policies and significant judgement areas and from the external auditors on their work and conclusions. The Committee focussed in particular on the areas of financial judgement by the Group.

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

A third meeting took place in October 2010 where the Committee carried out a full and detailed review of the Group's key business risks and discussed any revisions. The Committee is actively involved in the ongoing review of risk and internal controls by the main Board.

External Auditors

At the meeting to review the Annual Report and Accounts, the Committee formally considers the non-audit services provided by the Group's external auditors and the effectiveness of the audit process. It is the Company's policy that any non-audit work to be performed by the auditors requires to be approved in advance by the Audit Committee.

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

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

The Committee is satisfied that the objectivity and independence of the external audit is safeguarded.

During 2010 the Company has used several professional firms for different projects and the Republic of Ireland taxation compliance and advisory work is undertaken by a professional firm other than the Group's auditors.

The Committee oversaw the appointment of Deloitte LLP in 2002 and has a primary responsibility for the appointment, re-appointment and removal of auditors. The Audit Committee conducted a formal evaluation of the effectiveness of the external audit process. 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 auditors.

The Committee has recommended to the Board the re-appointment of the external auditors. On the recommendation of the Audit Committee, the Directors will be proposing the re-appointment of Deloitte LLP at the Annual General Meeting on 28 April 2011. The Audit Partner rotated at the commencement of the 2007 interim review and will rotate every five years.

Dialogue with Institutional Shareholders

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

The Chairman personally contacts the leading shareholders in the Company on an annual basis to address any concerns and discuss any issues. The Board receives a report on any discussion with shareholders and the written feedback that follows full year and the half year results presentations is circulated to the Board. 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 have met with institutional shareholders during the year to consider Corporate Governance matters. All the Non Executive Directors are prepared to meet with shareholders to understand their views more fully.

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 2010. In 2010, the notice of the Annual General Meeting and related papers were sent to shareholders more than 20 days before the meeting.

Directors' Remuneration Report

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006 ("the Act"). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration in the Combined Code. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved. The Act requires the auditors to report to the Company's members 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 Accounting Regulations. The report has therefore been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

The Remuneration Committee

The Remuneration Committee (referred to in the report as the Committee) was chaired by Peter Cawdron, an independent Non Executive Director, until his retirement from the Board on 30 April 2010 and has subsequently been chaired by Geoff Iddison. Mr Iddison and Mark Pain joined the Committee with effect from 1 January 2010. Camilla Rhodes joined the Committee with effect from 4 March 2010. All are independent Non Executive Directors. Martina King, also an independent Non Executive Director, was a member of the Committee until she stepped down as a Director at the Annual General Meeting on 30 April 2010. During 2010, the Committee met on six occasions with two of these meetings being held by telephone.

The Committee's terms of reference were reviewed in 2010 and require it to meet at least twice each year and at such times as is necessary. The terms of reference, which are available on the Company's website, set out the responsibilities of the Committee. These include:

- having the delegated responsibility for reviewing the Board policy on remuneration for the executive management team (which includes the three Executive Directors) and setting all aspects of remuneration, including the total remuneration package for all Executive Directors and the Chairman of the Board. In determining remuneration, the Committee will take account of pay and benefits elsewhere in the Group.
- ensuring, after consultation with the Chief Executive Officer and other executive management members, appropriate levels of incentives are available to encourage enhanced performance, in a fair and responsible manner, and so that executives are rewarded for their individual contributions to the success of the Company.
- approving the design of, and determining targets for, any performance related pay schemes (including bonuses) operated by the Company and approving the total annual payments made under such schemes.
- reviewing the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determining each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and other senior executives and the performance targets to be used.
- ensuring that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised. The Committee provides guidance to the Board on termination packages to individuals. No Director or manager is involved in any decisions as to their own termination package.

The remuneration of Non Executive Directors is a matter for the Chairman of the Board and the Executive Directors.

The Committee makes recommendations to the Board. 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 Committee. No Director plays a part in any discussion about his or her own remuneration.

During the year, the Committee received executive remuneration advice from its external independent adviser, Hewitt New Bridge Street (HNBS), a trading name of Aon Corporation. Neither HNBS nor any other part of Aon Corporation provided other services to the Company during 2010. HNBS attended one 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 HNBS are displayed on the Company's website in the Investor Centre section. HNBS are signatories to the Remuneration Consultants Group's Code of Conduct which has been considered in the drafting of this report.

There is an ongoing training programme for the Committee which consists of an annual update on any changes in regulations and also best practice. In addition, each member of the Committee attends various seminars throughout the year. Specific training was arranged for Geoff Iddison who succeeded Peter Cawdron as Chairman of the Committee.

As explained on page 41, the Board undertook an evaluation of its performance during the year. This included a review of the effectiveness of this Committee considering its composition, chairmanship, whether it fulfilled its role as outlined in the terms of reference, its reporting and overall performance. This evaluation process was undertaken by the members of the Committee itself as well as by all members of the Board. The results of this process were positive and confirmed the effectiveness of the Committee.

Remuneration Policy

The Committee's remuneration policy aims to attract, motivate and retain directors of the high calibre needed to maintain the Group's strong position in its local markets, to drive the future success of the business and to reward them for maximising and protecting the 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 current performance-related benefits, which consist of an annual performance bonus and long-term incentives, account for a significant proportion of total remuneration. The graphic below shows the individual elements of the total remuneration package of the Executive Directors' in 2010.

Basic salary	**Benefits including Private Health Insurance, mobile phone, car allowance and pension**	**Performance related bonus Profit based, Cashflow, KPIs**	**Performance Share Plan (PSP) awards**
Paid in cash	Taxable Benefit-in-kind	50% paid in cash, 50% deferred in shares for 3 years	Vesting period of 3 years
Fixed	Fixed	Variable	Variable

The Committee has also considered the structure of the Directors' remuneration packages from a risk perspective. It is 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 market competitive long-term incentives, do not encourage inappropriate risk taking. In addition, 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.

The Remuneration Committee also considers the level of pay and employment conditions throughout the Group, in particular of other members of the senior management team, when setting Executive Directors' remuneration.

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

Basic Salary

Base salaries are determined by the Committee prior to the beginning of each calendar year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee takes into account a range of factors including market conditions, the prevailing market rates for similar positions in comparable companies (through objective research carried out by its external consultants), the responsibilities, individual performance and experience of each Director and the level of salary increases awarded to employees across the Group.

In addition to basic salary, the Executive Directors receive certain benefits-in-kind, principally a car or a cash buyout and private medical insurance. Any payments made to Directors other than salary are not pensionable.

With effect from 1 January 2011 the salaries of John Fry, Stuart Paterson and Danny Cammiade remained unchanged at £525,000, £360,720 and £323,592 per annum respectively. 2011 is the fourth year during which Executive Directors' salaries have stayed at the same level. Grant Murray, who will join the Group as Chief Financial Officer on 3 May 2011 will receive a salary of £270,000.

Performance Related Bonus

The Committee considers and approves the objectives that must be met for each financial year if a cash bonus is to be paid. In setting the appropriate bonus parameters, the Committee, having taken advice, takes into account the Company's internal budgets and analysts' expectations for the forthcoming year. The bonus increases as performance above target increases and the targets are especially stretched at the top end. The Committee believes that this ties any incentive payments to the interests of shareholders.

The maximum bonus level for the Executive Directors in post during 2010 was set at 150% of salary and 50% of any bonus is paid in shares deferred for three years. A forfeiture clause applies to the shares for bad leavers. In the case of Stuart Paterson, the shares deferred as part of the 2007 bonus have vested. The bonus for 2008 was waived at that time and the shares related to the 2009 deferred bonus have been forfeited. As a result of his resignation, Mr Paterson waived his right to the deferred element of the 2010 bonus.

For the 2010 calendar year, of the maximum bonus of 150% of salary, 80% of salary was based on a profit target and a further 35% of salary related to an agreed cash flow target. The remaining 35% of salary was based on individual key performance targets, which were specific, clearly measurable and payable only if a specific profit-related threshold was achieved. Each target was agreed by the Committee and subsequently approved by the Board.

Of the profit related bonus, 40% of salary was payable on achievement of a challenging target with additional sums payable on a sliding scale which was particularly stretched at the top end to achieve maximum bonus of 80% of salary. Based on actual operating profit (before non-recurring and IAS 21/39 items) for the 2010 financial year, which was above threshold and target performance, a profit based bonus equal to 45.3% of salary was payable in respect of the profit element.

Up to 35% of salary was payable in respect of targets related to cashflow. As with the profit element, bonus was accrued on a sliding scale with 17.5% of salary being payable on achievement of a threshold and stretching targets to achieve a maximum payment. Based on actual cashflow for the 2010 financial year, which was above threshold and target performance, a cashflow based bonus equal to 17.8% of salary was payable.

The individual key performance targets varied by Executive Director. These included cost reduction, newspaper sales, level of net debt, implementation of organisational change, together with strategic and financial targets. Since the 2010 profit threshold was achieved, bonus was payable for the achievement of individual key performance targets. All Executive Directors achieved the majority of their individual KPIs with payments to John Fry, Stuart Paterson and Danny Cammiade equivalent to 24.5%, 23.9% and 22.0% of salary respectively in this regard.

For the 2011 financial year and for existing Executive Directors, the same elements of the bonus structure have been retained with 80% of salary related to profit, 35% of salary being based on cash flow performance and 35% based on individual performance targets. If a minimum level of profit or cashflow is not achieved, then individual KPIs will not be payable.

Retention Bonus
As previously reported, Stuart Paterson was awarded a one off conditional, non pensionable, cash retention bonus of £250,000 in August 2008 contingent on him remaining a Director of the Company, and not serving notice on or prior to 5 January 2011. As announced on 26 October 2010, Mr Paterson has tendered his resignation as a Director and will leave office on 15 March 2011. As a consequence of his resignation, he forfeited all rights to receive the retention bonus which will not be paid.

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

a) A Performance Share Plan (PSP) with awards being shown below and in note 30 to the financial statements. Under the rules of the PSP, Performance Shares may be granted over a three year performance period to the Executive Directors and certain senior Executives on an annual basis. The scheme rules permit 125% of salary as a normal annual maximum and 150% of salary in exceptional circumstances. No payment is made by the Executives for the award itself, nor for the shares that actually vest.

   For 2007 and 2008, awards were based 50% on total shareholder return (TSR) and 50% on Return on Capital Employed (ROCE). No elements of the performance conditions applying to the 2007 PSP awards were met and as a consequence these awards have now lapsed. Expectations are that the 2008 award will not vest either.

   The 2009 and 2010 awards were based entirely on the Company's TSR performance against the constituents of the FTSE All-Share Media sector, excluding any FTSE 100 participants (on the grounds of size) (the "Comparator Group"). In addition, awards will only vest if the Committee is satisfied that the Company's underlying performance has achieved an appropriate level of improvement. In deciding the appropriate performance metric(s) to apply at the time, the Committee felt that TSR was the best measure of performance since it aligns the interests of executives and investors. Furthermore, setting TSR targets was more straightforward at a time when economic uncertainty made it difficult to set financial targets over a three year period. 25% of awards made in 2009 and 2010 will vest if the Group achieves the median TSR performance of the Comparator Group over the three year period from grant, with 100% allocation if the Group achieves upper quartile performance. There is a sliding scale between the two levels.

   Following a review of PSP performance measures and consultation with the Company's largest shareholders, the Committee has decided to re-introduce a financial metric to be used in conjunction with TSR for the awards to be made in 2011.

   Therefore, the Committee has agreed to reduce the TSR element of the performance condition to 50% (measured against the Comparator Group and with the same vesting schedule) and to introduce a second performance condition (also representing 50% of the total award) based on growth in earnings per share (EPS). Under this proposal, 25% of this part of the award would vest for EPS growth of RPI +4% per annum over the three-year period ending 31 December 2013 and all of this part of the award would vest for EPS growth of RPI +12% per annum or greater with vesting on a straight line basis between these ranges. Having noted the views of shareholders and reviewed the prevailing economic conditions, the Committee is satisfied that this range of targets is suitably demanding. No vesting of this part of the award would occur for EPS growth of less than RPI +4% per annum.

Until 2008 and in line with policy, the Company made PSP awards with a face value of 100% of salary to Executive Directors. However, recognising the circumstances at the time (and in particular the Company's falling share price), the Committee restricted PSP awards to lower levels in the subsequent years. In 2009, an award of the same number of shares was made as in 2008 (equivalent to 53.3% of salary), and in 2010 an award of a lower number of shares, equivalent to 73% of salary was made). For 2011, while the Committee believes it is important to provide sufficient incentives for the Executive Directors, it also recognises the decline in the Company's share price over the past year and the continued need for restraint and, following consultation with major investors, determined that an award based on the same number of shares given to each executive director in 2008 and 2009 will be made. At the share price as at the date of this report, this will represent an award of a significantly smaller proportion of salary than in previous years.

b) As previously disclosed, as part of his recruitment terms John Fry was granted a long-term incentive award ("Option") based on share price targets. The Committee determined that the performance conditions applying to Mr Fry's award should be the same as that applying to the PSP awards made to other senior employees and that his award would only differ in amount and in relation to specific promises regarding change of control which were agreed when he was recruited. Following shareholder consultation, the award over 5,000,000 shares was made on 30 June 2009 (the Grant Date) under Listing Rule 9.4.2R.

The Option is subject to a performance condition which compares the rank of the Company's TSR against the Comparator Group over three years commencing on 13 June 2009. The Option is also subject to a financial underpin and will normally become exercisable on or following the third anniversary of the Grant Date, subject to the satisfaction of performance conditions and Mr Fry being employed in the Group at that time.

Subject to the satisfaction of the financial underpin, the Option will become capable of exercise over 25% of the shares if, at the end of the performance period, the rank of the Company's TSR against the Comparator Group is at least median, and over 100% of the shares if the Company's TSR is at or above the upper quartile. For performance between median and upper quartile, the Option will become exercisable on a straight-line basis between 25% and 100% based on ranking.

Under the terms of the financial underpin, notwithstanding the extent to which the TSR condition may have been satisfied, no part of the Option may become exercisable unless, over the performance period, the Remuneration Committee, in its discretion, considers that the Company's underlying financial performance has achieved an appropriate level.

c) A SAYE Sharesave Plan, the Johnston Press 2007 Sharesave Plan, for eligible employees under which options may be granted at a discount of up to 20% of market value, subject to the employee entering into a monthly savings contract with a maximum aggregate savings equal to £250 per month. Consistent with the legislation and normal practice, the SAYE Sharesave Plan does not require the imposition of performance conditions.

A scheme was introduced during 2006 to provide employees in the Republic of Ireland with a similar benefit. This was amended during 2008 and approved by the Irish Revenue to ensure that the grant price calculation mirrors the Johnston Press 2007 Sharesave Plan.

Both schemes were operated in 2010.

d) A Share Incentive Plan (SIP) for all eligible employees. The SIP has been approved by HM Revenue and Customs and is in two parts. The first is a Partnership Scheme, which allows employees to purchase shares in the Company, worth up to £1,500 in any tax year, on a monthly basis in a tax efficient manner. The second element is a Free Shares Scheme, which provides employees who have joined the scheme with free shares up to a maximum value. The shares are held in a UK resident trust administered by Computershare Plan Managers and, after a period of five years, the shares may be withdrawn free of any tax and National Insurance. Shares may be withdrawn from the Trust earlier in certain circumstances although early withdrawal may result in a charge to tax and National Insurance. Employees who leave the Group as a bad leaver within three years of the shares being awarded forfeit the Free Shares. For Free Shares, the Committee sets a Group profit target and a base fund to be utilised to purchase shares in the Company. The Free Shares are allocated to employees based on hours worked and are not pro rata to salary.

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

In the calendar year 2010, both the Free Share Scheme and the RSU Scheme were operated. The Group's profit achievement met the minimum target set by the Committee and therefore an award totalling shares to the value of £1.0 million will be made.

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

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

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

Dilution

At the end of 2010 the total number of options and share awards granted, less lapsed, over new issuable shares under the share schemes over the previous 10 years was 4.53% of the issued share capital within a maximum limit of 10%.

Pension Arrangements

During 2010, the Group operated one main pension scheme for UK employees, the Johnston Press Pension Plan (JPPP), with defined benefit and defined contribution sections. The defined benefit section has been closed to new members for several years. On 14 January 2010 the Company announced a consultation process on a proposal to close the defined benefit section to future accrual and this closure took place on 30 June 2010. The assets of JPPP are entirely separate from the assets of the Company and of the Group, and are invested by independent fund managers. A professional independent trustee and member nominated trustees are appointed to the pension scheme. A firm of external actuaries and consultants act as advisors. Pension scheme members receive a report from the trustees and a statement of their benefits each year.

Company contributions to the JPPP (defined benefit section) are at a fixed annual amount, paid monthly. Based on the triennial valuation as at 31 December 2007, annual contributions are based on a percentage of pensionable salaries plus a fixed annual amount to recover the deficit. These arrangements were agreed between the trustees of the JPPP and the Company. As part of the refinancing completed in August 2009, the Company undertook to make additional, substantial payments into the Plan from April 2012, dependent on the triennial actuarial valuation conducted as at 31 December 2010. Work on this valuation is ongoing. The Executive section of the Plan which also closed to future accrual on 30 June 2010 provides for a retirement age of 62, a maximum pension of two thirds of salary based on either a 45th accrual rate or a full two thirds at retirement date and a member's contribution of 10.5% of salary with a spouse's pension of a third of pensionable salary in the event of death in service. There are no provisions for beneficial rights on early retirement apart from a number of employees who were formerly members of The Scotsman section of the defined benefit scheme.

Employer contributions to the defined contribution section of the JPPP vary between 4% and 12% of salary depending on age, employee contribution and position in the Company.

In addition to the JPPP, the Group participates in three final salary schemes in the Republic of Ireland. Two are multi-employer industry schemes and the third is for a small number of employees in Limerick. This last scheme was closed to future accrual in the second half of the year. There are no financial implications to the Group if these schemes are terminated. The Group also inherited a number of defined contribution schemes. The Group launched and operates a defined contribution scheme in the Republic of Ireland, the Johnston Press (Ireland) Pension Scheme (JPIPS). All employees who are not members of a pension scheme or those employees who are members of other defined contribution schemes have been invited to join the JPIPS. Employer contribution rates vary between 3% to 12%.

Danny Cammiade was an uncapped member of the Executive section of the JPPP until 30 June 2010. Following the closure of the defined benefit section of the JPPP the Company makes pension contributions of 25% of his basic salary and matches any contributions by him up to a maximum of 5% of salary. Under current pension legislation, Mr Cammiade is unable to make any further contributions to the defined contribution section of the JPPP or to a suitable private pension scheme in a tax efficient manner. Consequently, with effect from 1 July 2010, the Company's pension contributions have been paid to him as a salary supplement less the cost of employer National Insurance contributions on such amounts. Stuart Paterson did not participate in the JPPP and the Company agreed instead to make a contribution equivalent to 25% of his basic salary into his private pension scheme. With effect from 1 January 2005, the Company also agreed to match any additional annual contribution made by Mr. Paterson, up to a maximum of 5% of salary. Under current pension legislation, such additional matching pension contributions to Mr Paterson can no longer be made in a tax efficient manner and with effect from 1 September 2010, have been paid to him as a salary supplement less the cost of employer National Insurance on such amounts. John Fry is entitled to receive a percentage of salary into his private pension scheme. For the first year of his employment this was 30% increasing by 1.25% per annum each year up to a maximum of 40%. For 2011 such contributions shall be equivalent to 32.5% of salary.

Service Contracts

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

	Date of Contract	Notice period by Company	Notice period by Director
John Fry#	23 September 2008	1 year	1 year
Danny Cammiade	27 February 2006	1 year	1 year
Stuart Paterson*	24 May 2001	1 year	1 year

The Company announced on 9 March 2011 that Mr Fry intended to step down from the Board.
* The Company announced the resignation of Mr Paterson on 26 October 2010.

The Executive Directors have one year rolling contracts terminable by either party on 12 months' notice. In the event of termination by the Company, the Executive Directors would be entitled to remuneration for the notice period and the Committee would seek to firmly apply the principles of mitigation following termination.

In the event of termination, payment of any element of bonus to Executive Directors will depend upon the relevant circumstances, the terms of their contract and whether the leaver is treated as a good or bad leaver. In the former scenario, a payment of bonus on a pro rata basis up to the date of departure may be paid at the time that bonuses are paid to other Executives. Mr Paterson resigned from the Company so he is treated as a bad leaver. As he was employed throughout 2010 he is entitled to payment of the annual bonus. However, the deferred share based element of the bonus would be forfeited under the relevant bad leaver provisions and so Mr Paterson waived his right to this element.

The Executive Directors' contracts of employment may also be terminated, at the option of the Company, by giving six months' notice if the Executive is incapacitated by reason of ill-health or accident from performing his duties for certain specified periods. The Company may also terminate the Executive's employment forthwith in certain circumstances including any serious breach of his obligations under the contract of employment.

The Executive Directors' service contracts do not provide any entitlement to payment in lieu of notice or the provision of liquidated damages.

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. In 2010, Stuart Paterson and John Fry each held one external Non Executive position and received £41,250 and £14,000 in fees respectively.

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

Non Executive Directors

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

Ian Russell	14 January 2007 (with a subsequent letter appointing him as Chairman on 28 January 2009)
Ralph Marshall	27 June 2008
Mark Pain	1 May 2009
Camilla Rhodes	13 July 2009
Geoff Iddison	1 December 2009
Kjell Aamot	2 July 2010

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.

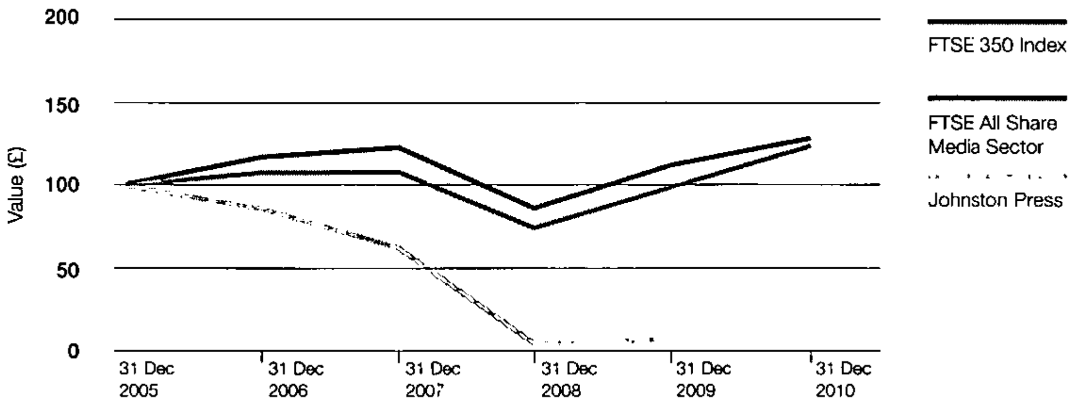
The letters of appointment provide specific terms of engagement for Non Executive Directors and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to Non Executive Directors of similar companies. The basic annual fee paid to each Non Executive Director is £40,000. The Non Executives receive further fees for additional work performed for the Company in respect of chairing the Remuneration Committee and Audit Committee, together with responsibilities as Chairman and Senior Independent Director. The Chairmen of the Audit Committee, Remuneration Committee and the Senior Independent Director each receive an additional £7,500 per annum. The Chairman's fee is £130,000 per annum. Each of these fees remained unchanged throughout the year. During 2009 the Board agreed that 50% of Non Executive Directors' fees would be paid in the form of shares. Non Executive Directors' fees are paid on a quarterly basis. This policy was retained throughout 2010 and will be reviewed in 2011.

Non Executive Directors cannot participate in the bonus plans or in any of the Company's Share Schemes and are not eligible to join the Company's pension plan.

Performance Graph

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

5 Year Return Index for Johnston Press at 31 December 2010



This graph shows the value at 31 December 2010 of £100 invested in Johnston Press plc on 31 December 2005 compared with the value of £100 invested in the FTSE 350 Index and the FTSE All Share Media Sector. The other plotted points are the intervening financial year ends.

AUDITED INFORMATION

Directors' Remuneration

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

	2010 £'000	2009 £'000
Emoluments	**2,506**	2,600
Money purchase contributions (inc. salary supplements)	**308**	266
	2,814	2,866

b) Directors' Emoluments

	Salary/Fees		Taxable Benefits[1]		Performance Related Bonus[2]				Total Emoluments	
					Cash	Shares	Cash	Shares		
	2010	2009	**2010**	2009	**2010**	**2010**	2009	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000	**£'000**	**£'000**	£'000	£'000	**£'000**	£'000
Chairman										
Ian Russell[3]	**130**	114	**—**	—	**—**	**—**	—	—	**130**	114
Roger Parry[4]	**—**	43	**—**	—	**—**	**—**	—	—	**—**	43
Executive Directors										
John Fry	**525**	525	**16**	14	**230**	**230**	210	210	**1,001**	959
Stuart Paterson[5]	**361**	361	**2**	2	**157**	**—**	146	146	**520**	655
Danny Cammiade	**324**	324	**18**	18	**138**	**138**	124	124	**618**	590
Non Executive Directors										
Peter Cawdron[6]	**17**	50	**—**	—	**—**	**—**	—	—	**17**	50
Freddy Johnston[6]	**13**	40	**—**	—	**—**	**—**	—	—	**13**	40
Martina King[6]	**13**	40	**—**	—	**—**	**—**	—	—	**13**	40
Simon Waugh[7]	**—**	4	**—**	—	**—**	**—**	—	—	**—**	4
Ralph Marshall	**40**	40	**—**	—	**—**	**—**	—	—	**40**	40
Gavin Patterson[4]	**—**	13	**—**	—	**—**	**—**	—	—	**—**	13
Mark Pain[8]	**53**	32	**—**	—	**—**	**—**	—	—	**53**	32
Camilla Rhodes[9]	**40**	20	**—**	—	**—**	**—**	—	—	**40**	20
Geoff Iddison[10]	**44**	—	**—**	—	**—**	**—**	—	—	**44**	—
Kjell Aamot[11]	**17**	—	**—**	—	**—**	**—**	—	—	**17**	—
	1,577	1,606	**36**	34	**525**	**368**	480	480	**2,506**	2,600

1 Taxable benefits include car, telephone, life insurance and health insurance
2 Half of the Executive Directors' bonus is paid in shares, deferred for 3 years with potential forfeiture
3 Appointed as Chairman with effect from 12 March 2009
4 Resigned 24 April 2009
5 Resigns 15 March 2011
6 Resigned 30 April 2010
7 Resigned 30 January 2009
8 Appointed 1 May 2009
9 Appointed 13 July 2009
10 Appointed 1 January 2010
11 Appointed 1 August 2010

c) Pension Benefits
The following Directors had accrued pension benefits under the Group's defined benefit scheme:

	Years of pensionable service	Total accrued pension at 02.01.10 £'000	Increase in accrued pension during year £'000	Transfer value of increase £'000	Total accrued pension at 01.01.11 £'000	Transfer value of total accrued pension at 02.01.10 £'000	Transfer value of total accrued pension at 01.01.11 £'000	Increase in value of pension during year £'000
Danny Cammiade	19	149	3	(114)	152	2,719	2,765	27

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, the Group made additional payments of £42,400 to Mr Cammiade as a salary supplement net of National Insurance (NI). In addition to the above, the Group funded £90,175 (2009: £108,300) into a defined contribution scheme for Stuart Paterson and paid £164,060 (2009: £157,500) into the personal pension plan of John Fry. As a result of the change in pension legislation, a salary supplement of £11,800 was paid to Stuart Paterson to represent the balance less NI of the agreed level of pension contributions payable. All Executive Directors have life cover of four times basic salary.

d) Share Schemes

	At 03.01.10	Granted/ Awarded	Exercised	Lapsed	At 01.01.11
Savings Related Scheme					
John Fry	**31,730**	57,142	–	(31,730)	**57,142**
Stuart Paterson[1]	**31,730**	–	–	–	**31,730**
Danny Cammiade	**63,031**	98,095	–	(63,031)	**98,095**
Share Matching Plan[2]					
Stuart Paterson	**19,618**	–	–	(19,618)	**–**
Danny Cammiade	**15,989**	–	–	(15,989)	**–**
Performance Share Plan					
John Fry[3]	**5,000,000**	1,207,087	–	–	**6,207,087**
Stuart Paterson	**2,031,164**	829,372	–	(107,324)	**2,753,212**
Danny Cammiade	**1,822,101**	744,007	–	(96,277)	**2,469,831**

1 Lapsed on 18 February 2011.
2 The Share Matching Plan was suspended on 1 January 2007. Previously it applied to the Executive Directors and certain Senior Executives. Participants invested part of their annual bonus in buying shares in the Company and they had the prospect of receiving extra matching shares after three years, paid for by the Company. The performance conditions for the matching awards granted prior to the plan's suspension were not met and all awards have now lapsed. Shares relating to awards under the Share Matching Plan are held in the Johnston Press plc Employee Share Trust.
3 Includes the one-off long term incentive plan award made on 30 June 2009.

Those Savings Related Scheme options shown above that have not lapsed since the end of the period are exercisable as follows:

John Fry	57,142 at a price of 15.75p	between 01.11.2013 and 30.04.2014
Danny Cammiade	98,095 at a price of 15.75p	between 01.11.2015 and 30.04.2016

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

1,824,832	awards will vest on 25.09.2011 – market price on award on 25 September 2008 37.5p
6,824,832	awards will vest on 30.06.2012 – market price on award on 30 June 2009 16.5p
2,780,466	awards will vest on 16.04.2013 – market price on award on 16 April 2010 31.75p

As Stuart Paterson is considered a bad leaver, all the awards made to him under the PSP will lapse on his leaving the Group.

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

The middle market price of the Ordinary Shares was as follows:

On 4 January 2010	23.75p	Highest price during year	33.50p
On 31 December 2010	12.00p	Lowest price during year	9.10p

This report was approved by the Board of Directors on 9 March 2011 and signed on its behalf by:

Geoff Iddison

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report for the period ended 1 January 2011. The Corporate Governance report set out on pages 39 to 44 forms part of this report.

Principal Activities

The Group's main activities are the publishing of local and regional weekly, evening and morning newspapers, both paid-for and free, together with associated websites, as well as specialist publications in print, online or via mobile technologies.

Review of Business

The results for the year 2010 are set out in the Group Income Statement on page 59. The Group profit for the period before taxation was £16,529,000 (2009: loss of £113,775,000) which results in a net profit for the period of £36,064,000 (2009: loss of £87,258,000). Details of the business activities during the year, the financial results, the financial position and the principal risks and uncertainties facing the Group are set out in the Business Review on pages 10 to 25.

Dividends

No interim dividend was paid and the Directors recommend no final dividend for the period. In the short term, the Board believes the most important use of available cash is to reduce the Group's net debt position. The preference dividend was paid on 30 June and 31 December 2010.

Share Capital

Details of share capital are shown in note 27.

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. Following an internal audit and an assessment by external advisers, the Group put in place, and there is in force, a documented environmental policy to monitor performance and to take action where appropriate. Further details of this policy are provided in the Corporate Social Responsibility Statement.

Donations

Charitable donations amounted to £32,000 (2009: £29,000). There were no payments for political purposes.

Supplier Payment Policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment, and to abide by the terms of payment. Trade creditors of the Group at the end of the period were equivalent to 23 days purchases (2009: 29 days), based on the average daily amount invoiced by suppliers during the period.

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.

Auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

(1) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
(2) the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Forward-looking Statements

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

Directors and their Interests

Under the Company's Articles of Association, each Director is subject to retirement every three years and to election at the first Annual General Meeting after their appointment. In addition, any Director who has served more than 9 years automatically offers himself/herself for re-election every year.

Danny Cammiade is retiring and offering himself for re-election at the Annual General Meeting. Kjell Aamot was appointed during the year and is seeking election at the Annual General Meeting.

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

Ordinary Shares of 10p each	% of Share capital	1 January 2011	2 January 2010
Ian Russell	0.2%	1,270,950	921,176
John Fry	0.1%	424,555	–
Stuart Paterson	0.1%	550,581	245,123
Danny Cammiade	0.1%	469,241	207,157
Ralph Marshall	–	119,387	26,032
Mark Pain	–	108,593	18,180
Camilla Rhodes	–	74,972	16,722
Geoff Iddison	–	74,335	–
Kjell Aamot	–	50,314	–
Peter Cawdron	–	–	44,005
Freddy Johnston	–	–	10,488,910
Martina King	–	–	18,865

Geoff Iddison and Kjell Aamot were appointed Directors on 1 January 2010 and 1 August 2010 respectively. Freddy Johnston, Peter Cawdron and Martina King resigned as Directors on 30 April 2010.

In addition to the shareholdings shown above, which are all held beneficially, and the share options as shown on page 53, John Fry, Stuart Paterson and Danny Cammiade hold an interest in 11,851,179 (2009: 11,874,938) shares by virtue of their status as potential beneficiaries of the Johnston Press plc Employee Share Trust.

Since 1 January 2011, Danny Cammiade has purchased 2,313 shares through the Share Incentive Plan.

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

Structure of Shares

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 27. The Company's issued ordinary share capital was 639,746,083 shares at the end of the period. As part of the refinancing completed on 28 August 2009, the Company issued warrants over 5% of its issued share capital to the Group's lenders. These warrants are exercisable at any time over the 5 year period ending 27 August 2014 at an exercise price of 10p. No warrants were exercised in 2010.

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 98.3% 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 Combined Code on Corporate Governance 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 Main Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement on pages 39 to 44.

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 (on behalf of Usaha Tegas)	20.0	127,947,952
Orbis Investment Management Ltd	10.7	68,281,252
Jupiter Asset Management Ltd	4.6	29,297,022
Legal & General Group of Companies	4.0	25,544,134
Blackrock Inc.	3.3	21,192,826
Aviva Investors Global Services Ltd	3.0	19,271,592

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 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.

Close Company Status

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

Change of Control

In the event of a change of control the Group's lenders, both the Private Placement loan note holders and the various Banks, have the option to declare all amounts outstanding repayable on demand.

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.

Electronic Voting

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

Special Business

Four resolutions (resolutions 7 to 10) are set out under special business in the notice of this year's Annual General Meeting. The first of these resolutions will be proposed as an ordinary resolution and the others as special resolutions.

The purpose of the first of these resolutions is to renew the Directors' authority to allot shares in the Company. Part (i) of Resolution 7 seeks authority to allot shares up to a maximum nominal amount of £21,322,736 representing 33.33% of the existing issued ordinary share capital. The second part of resolution 7 seeks authority to allot 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 for one year only. The Directors have no current intention to allot shares except in connection with employee share schemes and the authority, if approved, will expire at the end of the Annual General Meeting in 2012.

The second resolution, Resolution 8 (which is the first of the three 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 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. 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 third item of special business is the renewal of the authority of the Company to purchase its own ordinary shares as permitted under its Articles of Association. This resolution will, if passed, give authority to make such purchases in the market. The Directors have no immediate intention of using such authority and would do so only if they consider it to be in the best interests of shareholders generally and an improvement in earnings per share would result. This Resolution specifies the maximum number of ordinary shares which may be purchased (representing approximately 10% of the Company's existing issued ordinary share capital) and the minimum and maximum prices at which they may be bought, reflecting the requirements of the Act and the Financial Services Authority.

The final resolution to be proposed is to permit the Company to call General Meetings (other than Annual General Meetings) on not less than 14 days clear 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.

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

By Order of the Board

P McCall
Secretary
108 Holyrood Road
Edinburgh
EH8 8AS
9 March 2011

Directors' Responsibility Statement

We confirm to the best of our knowledge:

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

2. the business review, which is incorporated into the Directors' 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.

On behalf of the Board

John Fry
Chief Executive Officer
9 March 2011

Stuart Paterson
Chief Financial Officer
9 March 2011

Independent Auditors' Report to the members of Johnston Press plc

We have audited the financial statements of Johnston Press plc for the 52 week period ended 1 January 2011 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Reconciliation of Shareholders' Equity, the Group Statement of Financial Position and Parent Company Balance Sheet, the Group Statement of Cash Flows and the related notes 1 to 43. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (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).

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the 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.

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.

Opinion on financial statements
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 1 January 2011 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with 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.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:
- the Directors' statement contained within the Business Review, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Colin Gibson

Colin Gibson CA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Edinburgh, United Kingdom
9 March 2011

Group Income Statement

for the 52 week period ended 1 January 2011

	Notes	2010 Before non-recurring and IAS 21/39 items £'000	2010 Non-recurring items £'000	2010 IAS 21/39 £'000	2010 Total £'000	2009 Before non-recurring and IAS 21/39 items £'000	2009 Non-recurring items £'000	2009 IAS 21/39 £'000	2009 Total £'000
Revenue	6	398,084	–	–	398,084	427,996	–	–	427,996
Cost of sales		(241,605)	–	–	(241,605)	(264,312)	–	–	(264,312)
Gross profit		156,479	–	–	156,479	163,684	–	–	163,684
Operating expenses	7	(84,488)	(4,047)	–	(88,535)	(91,900)	(36,398)	–	(128,298)
Impairment of intangibles	7/15	–	(13,086)	–	(13,086)	–	(126,000)	–	(126,000)
Total operating expenses		(84,488)	(17,133)	–	(101,621)	(91,900)	(162,398)	–	(254,298)
Operating profit/(loss)	8	71,991	(17,133)	–	54,858	71,784	(162,398)	–	(90,614)
Investment income	10	43	–	–	43	72	–	–	72
Net finance income on pension assets/liabilities	11a	373	–	–	373	268	–	–	268
Change in fair value of hedges	11c	–	–	2,573	2,573	–	–	(12,295)	(12,295)
Retranslation of USD debt	11c	–	–	(2,030)	(2,030)	–	–	11,756	11,756
Retranslation of Euro debt	11c	–	–	2,623	2,623	–	–	15,211	15,211
Finance costs	11b	(41,921)	–	–	(41,921)	(28,805)	(9,390)	–	(38,195)
Share of results of associates	18	10	–	–	10	22	–	–	22
Profit/(loss) before tax		30,496	(17,133)	3,166	16,529	43,341	(171,788)	14,672	(113,775)
Tax	12	(6,866)	27,287	(886)	19,535	(7,795)	38,571	(4,259)	26,517
Profit/(loss) for the period		23,630	10,154	2,280	36,064	35,546	(133,217)	10,413	(87,258)
Earnings per share (p)	14								
Earnings per share - Basic		3.67	1.58	0.36	5.61	5.53	(20.82)	1.63	(13.66)
Earnings per share - Diluted		3.58	1.55	0.35	5.48	5.53	(20.82)	1.63	(13.66)

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

The comparative period is for the 53 week period ended 2 January 2010.

Group Statement of Comprehensive Income

for the 52 week period ended 1 January 2011

	Revaluation Reserve £'000	Hedging and Translation Reserve £'000	Retained Earnings £'000	Total £'000
Profit for the period	–	–	36,064	36,064
Actuarial gain on defined benefit pension schemes (net of tax)	–	–	9,976	9,976
Revaluation adjustment	(63)	–	63	–
Exchange differences on translation of foreign operations	–	(3,456)	–	(3,456)
Deferred tax	–	710	–	710
Change in deferred tax rate to 27%	–	(48)	141	93
Total comprehensive income for the period	**(63)**	**(2,794)**	**46,244**	**43,387**

For the 53 week period ended 2 January 2010

	Revaluation Reserve £'000	Hedging and Translation Reserve £'000	Retained Earnings £'000	Total £'000
Loss for the period	–	–	(87,258)	(87,258)
Actuarial loss on defined benefit pension schemes (net of tax)	–	–	(51,721)	(51,721)
Revaluation adjustment	(88)	–	88	–
Exchange differences on translation of foreign operations	–	(7,639)	–	(7,639)
Reclassification on de-designation of hedge relationships	–	(7,939)	–	(7,939)
Deferred taxation	–	2,223	–	2,223
Total comprehensive loss for the period	**(88)**	**(13,355)**	**(138,891)**	**(152,334)**

Group Reconciliation of Shareholders' Equity

for the 52 week period ended 1 January 2011

	Share Capital £'000	Share Premium £'000	Share-based Payments Reserve £'000	Revaluation Reserve £'000	Own Shares £'000	Hedging and Translation Reserve £'000	Retained Earnings £'000	Total £'000
Opening balances	65,080	502,818	19,346	2,308	(5,004)	13,206	(227,730)	370,024
Total comprehensive income for the period	–	–	–	(63)	–	(2,794)	46,244	43,387
Recognised directly in equity:								
Dividends (note 13)	–	–	–	–	–	–	(152)	(152)
New share capital subscribed	1	–	–	–	–	–	–	1
Provision for share-based payments (note 30)	–	–	(2,073)	–	–	–	–	(2,073)
Net changes directly in equity	1	–	(2,073)	–	–	–	(152)	(2,224)
Total movements	1	–	(2,073)	(63)	–	(2,794)	46,092	41,163
Equity at the end of the period	**65,081**	**502,818**	**17,273**	**2,245**	**(5,004)**	**10,412**	**(181,638)**	**411,187**

For the 53 week period ended 2 January 2010

	Share Capital £'000	Share Premium £'000	Share-based Payments Reserve £'000	Revaluation Reserve £'000	Own Shares £'000	Hedging and Translation Reserve £'000	Retained Earnings £'000	Total £'000
Opening balances	65,080	502,818	10,064	2,396	(4,412)	26,561	(88,687)	513,820
Total comprehensive loss for the period	–	–	–	(88)	–	(13,355)	(138,891)	(152,334)
Recognised directly in equity:								
Dividends (note 13)	–	–	–	–	–	–	(152)	(152)
Share warrants issued	–	–	9,390	–	–	–	–	9,390
Own shares purchased	–	–	–	–	(592)	–	–	(592)
Provision for share-based payments (note 30)	–	–	(108)	–	–	–	–	(108)
Net changes directly in equity	–	–	9,282	–	(592)	–	(152)	8,538
Total movements	–	–	9,282	(88)	(592)	(13,355)	(139,043)	(143,796)
Equity at the end of the period	**65,080**	**502,818**	**19,346**	**2,308**	**(5,004)**	**13,206**	**(227,730)**	**370,024**

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

Group Statement of Financial Position

at 1 January 2011

	Notes	2010 £'000	2009 £'000
Non-current assets			
Goodwill	15	—	864
Other intangible assets	15	907,455	922,513
Property, plant and equipment	16	195,091	219,608
Available for sale investments	17	970	970
Interests in associates	18	12	30
Trade and other receivables	21	35	16
Derivative financial instruments	23/32	15,757	15,794
		1,119,320	1,159,795
Current assets			
Assets held for sale	19	3,071	—
Inventories	20	4,531	3,293
Trade and other receivables	21	49,481	88,822
Cash and cash equivalents		11,112	12,279
		68,195	104,394
Total assets		1,187,515	1,264,189
Current liabilities			
Trade and other payables	21	47,682	50,366
Tax liabilities		3,642	57,896
Retirement benefit obligation	24	4,444	5,111
Borrowings	22	251	31,465
Derivative financial instruments	23/32	728	1,045
		56,747	145,883
Non-current liabilities			
Borrowings	22	399,736	398,090
Derivative financial instruments	23/32	3,513	5,806
Retirement benefit obligation	24	56,342	78,997
Deferred tax liabilities	25	252,955	261,454
Trade and other payables	21	155	2,077
Long term provisions	26	6,880	1,858
		719,581	748,282
Total liabilities		776,328	894,165
Net assets		411,187	370,024
Equity			
Share capital	27	65,081	65,080
Share premium account		502,818	502,818
Share-based payments reserve		17,273	19,346
Revaluation reserve		2,245	2,308
Own shares		(5,004)	(5,004)
Hedging and translation reserve		10,412	13,206
Retained earnings		(181,638)	(227,730)
Total equity		411,187	370,024

The comparative numbers are as at 2 January 2010.

The financial statements of Johnston Press plc, registered number 15382, were approved by the Board of Directors and authorised for issue on 9 March 2011.

They were signed on its behalf by:

John Fry, Chief Executive Officer

Stuart Paterson, Chief Financial Officer

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

Group Statement of Cash Flows

for the 52 week period ended 1 January 2011

	Notes	2010 £'000	2009 £'000
Cash generated from operations	28	79,338	93,881
Income tax paid		(9,750)	(4,715)
Net cash in from operating activities		69,588	89,166
Investing activities			
Interest received		43	72
Dividends received from associated undertakings		25	52
Proceeds on disposal of property, plant and equipment		5,097	785
Proceeds on disposal of titles		—	131
Purchases of property, plant and equipment		(4,522)	(3,946)
Net cash received from/(used in) investing activities		643	(2,906)
Financing activities			
Dividends paid		(152)	(152)
Interest paid		(30,576)	(27,841)
Interest paid on finance leases		—	(13)
Repayments of borrowings		(27,408)	(42,851)
Arrangement fees on refinancing		(294)	(16,027)
Repayment of loan notes		(17,498)	—
Issue of shares		2	—
Increase/(decrease) in bank overdrafts		4,528	(7,232)
Net cash used in financing activities		(71,398)	(94,116)
Net decrease in cash and cash equivalents		(1,167)	(7,856)
Cash and cash equivalents at the beginning of period		12,279	20,135
Cash and cash equivalents at the end of the period		11,112	12,279

The comparative period is for the 53 week period ended 2 January 2010.

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

Notes to the Consolidated Financial Statements

for the 52 week period ended 1 January 2011

1. General Information

Johnston Press plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on the back page. The nature of the Group's operations and its principal activities are set out in notes 5 and 6 and in the Business Review on pages 10 to 25.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

2. Adoption of New and Revised Standards

The following new and revised Standards and Interpretations have been adopted in the current year. 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.

IFRS 3 (2008) *Business Combinations;*	These standards have introduced a number of changes in the accounting for business combinations when acquiring a subsidiary or an associate.
IAS 27 (2008) *Consolidated and Separate Financial Statements;*	IFRS 3 (2008) has also introduced additional disclosure requirements for acquisitions.
IAS 28 (2008) *Investments in Associates*	

The following amendments were made as part of *Improvements to IFRSs (2009)*:

Amendment to IFRS 2 *Share-based Payment*	IFRS 2 has been amended, following the issue of IFRS 3 (2008), to confirm that the contribution of a business on the formation of a joint venture and common control transactions are not within the scope of IFRS 2.
Amendment to IAS 17 *Leases*	IAS 17 has been amended such that it may be possible to classify a lease of land as a finance lease if it meets the criteria for that classification under IAS 17.
Amendment to IAS 39 *Financial Instruments: Recognition and Measurement*	IAS 39 has been amended to state that options contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date are not excluded from the scope of the standard.

Standards not affecting the reported results or the financial position:

IFRIC 17 *Distributions of Non-cash Assets to Owners*	The Interpretation provides guidance on when an entity should recognise a non-cash dividend payable, how to measure the dividend payable and how to account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable when the payable is settled.
IFRS 2 (amended) *Group Cash-settled Share-based Payment Transactions*	The amendment clarifies the accounting for share-based payment transactions between group entities.

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 adopted by the EU):

IFRS 9	*Financial Instruments*
IAS 24 (amended)	*Related Party Disclosures*
IAS 32 (amended)	*Classification of Rights Issues*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
IFRIC 14 (amended)	*Prepayments of a Minimum Funding Requirement*
Improvements to IFRSs (May 2010)	

The adoption of IFRS 9 which the Group plans to adopt for the period beginning on 1 January 2013 will impact both the measurement and disclosure of financial instruments.

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

3. Significant Accounting Policies

Basis of accounting

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Notes to the Consolidated Financial Statements

for the 52 week period ended 1 January 2011 continued

3. Significant Accounting Policies (continued)

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 Business Review on pages 10 to 25. 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 1 January 2011. The 2009 information relates to the 53 week period ended 2 January 2010.

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. Further detail is contained in the Business Review on pages 10 to 25.

Non-recurring items

Non-recurring items include significant exceptional transactions, the fundamental restructuring of businesses and material one-off items such as the disposal of a significant property 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.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. 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.

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

Investment in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. 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 goodwill or publishing titles. Titles separately acquired after 1 January 1989 are stated at cost and titles owned by subsidiaries acquired after 1 January 1996 are recorded at Directors' valuation at the date of acquisition. These publishing titles have no finite life and consequently are not amortised. The carrying value of the titles is reviewed for impairment at least annually with testing undertaken, as outlined below for goodwill, to determine any diminution in the recoverable amount below carrying value. The recoverable amount is the higher of the fair value less costs to sell and the value in use is based on the net present value of estimated future cash flows discounted at the Group's pre-tax weighted average cost of capital. Any impairment loss is recognised as an expense immediately. An impairment loss recognised for publishing titles can be reversed in a subsequent period if the discounted cash flows justify the treatment.

3. Significant Accounting Policies (continued)

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and cannot be subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment 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 any goodwill allocated to the unit, second to the value of publishing titles and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Goodwill can also arise as an equal and opposite offset to deferred tax on publishing titles acquired after 1 January 2005 under the technical provisions of IAS 12.

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

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP valuation subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

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

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

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 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 hedging and translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

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

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

Heritable and freehold property (excluding land)	2.5% on written down value
Leasehold land and buildings	equal annual instalments over lease term
Web offset presses (excluding press components)	5% straight line basis
Mailroom equipment	6.67% straight line basis
Pre-press systems	20% straight line basis
Other plant and machinery	6.67%, 10%, 20%, 25% and 33% straight line basis
Motor vehicles	25% straight line basis

Notes to the Consolidated Financial Statements

for the 52 week period ended 1 January 2011 continued

3. Significant Accounting Policies (continued)

Assets 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 after 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.

Derivative financial instruments

The Group's activities and funding structure give rise to some exposure to the financial risks of changes in interest rates and foreign currency exchange rates. The Group enters into a number of derivative financial instruments to manage its exposure to these risks, including interest rate swaps, cross currency swaps and forward foreign exchange contracts. 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.

3. Significant Accounting Policies (continued)

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

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.

On 28 August 2009, the Company issued share warrants over 5% of its issued share capital to lenders as part of the refinancing package agreed on that date. 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 warrants issued and the full cost was recognised as a non-recurring finance cost in the Income Statement in the prior 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 premia payable on settlement or redemption and direct issue costs, are charged to the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. 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 income 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.

Where the Group is a lessor, rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Where the Group leases a property but is no longer using the premises, full provision is made for the rentals payable over the remaining term of the lease (up to any break clauses where relevant).

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

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

Notes to the Consolidated Financial Statements

for the 52 week period ended 1 January 2011 continued

3. Significant Accounting Policies (continued)

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

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.

Deferred tax balances on publishing titles and properties not eligible for tax allowances

Deferred tax amounting to £244,193,000 at 1 January 2011 (2 January 2010: £257,372,000), has been provided pursuant to IAS 12 (Income Taxes) on the values of the publishing titles in the Group's Statement of Financial Position.

Management has considered it appropriate to provide this entire deferred tax balance in order to comply with the technical requirements of IAS 12 despite the fact that management cannot foresee any future circumstances in which such a tax liability would arise. If a decision was taken to dispose of any of the assets concerned, it is unlikely that the titles would be sold separately from the legal entities that own the assets. As such, management is confident that this tax provision will never be required to be paid.

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.

Provisions for onerous leases

Where the Group exits a rented property, an estimate of the anticipated total future cost payable under the terms of operating lease, including rentals, rates and other related expenses, is charged to the Income Statement at the point of exit. 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.

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 payments. The cost is estimated using a Black-Scholes valuation model. The Black-Scholes calculations are based on a number of assumptions that are set out in note 30 and are amended to take account of estimated levels of share vesting and exercise. This method of estimating the value of the share-based payments is intended to ensure that the actual value transferred to employees is provided in the share-based payments reserve by the time the payments are made.

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

Valuation of warrants issued

On 28 August 2009, the Company issued share warrants over 5% of its issued share capital to lenders as part of the refinancing package agreed on that date. The cost of these warrants has been assessed using the Binomial Option Pricing model and charged through the Income Statement as a financing cost. As the warrants can be exercised at any time over the five year period from the date of issue, this method estimates the present cost to the Company for providing the shares in the future. The Binomial Option Pricing calculations are based on a number of inputs including exercise price, current share price, rate of return, stock volatility and expected dividend yields. Management has made a number of judgements in assessing a number of these inputs based on historic experience, and calculated a cost of £9,390,000 which was recognised as a non-recurring finance cost in the Group Income Statement in 2009.

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 goodwill and publishing titles

Determining whether goodwill or publishing titles are impaired requires an estimation of the value in use of the cash generating units (CGUs) to which these assets are allocated. The value in use calculation requires the Group to identify appropriate CGUs, to estimate the future cash flows expected to arise from each CGU and a suitable discount rate 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. An impairment loss was identified in 2009 and provided for in the financial statements with a net impairment loss of £13,086,000 identified in 2010. The goodwill of £864,000 at 2 January 2010 has been fully written off in the period with the balance of the impairment, being a net charge of £12,222,000, written off publishing titles. The carrying value of publishing titles at 1 January 2011 was £907,455,000 (2009: £922,513,000). Details of the impairment reviews that the Group performs are provided in note 15.

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
- mortality assumptions.

Details of the assumptions used to determine the liability at 1 January 2011 are set out in note 24.

Bad debt allowance

The trade receivables balance recorded in the Group's Statement of Financial Position comprises a large number of relatively small balances. An allowance is made for the estimated irrecoverable amounts from debtors and this is determined by reference to past default experience. Further details are shown in note 21.

Notes to the Consolidated Financial Statements

for the 52 week period ended 1 January 2011 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 Newspaper 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:

	Newspaper publishing 2010 £'000	Contract printing 2010 £'000	Eliminations 2010 £'000	Group 2010 £'000	Newspaper publishing 2009 £'000	Contract printing 2009 £'000	Eliminations 2009 £'000	Group 2009 £'000
Revenue								
External sales	369,344	28,740	–	398,084	395,084	32,702	–	427,996
Inter-segment sales*	–	60,303	(60,303)	–	–	67,305	(67,305)	–
Total revenue	369,344	89,043	(60.303)	398.084	395,084	100,007	(67,305)	427,996
Result								
Segment result before non-recurring items	66,862	5,129	–	71,991	61,590	10,194	–	71,784
Non-recurring items	(12,694)	(4,439)	–	(17,133)	(138,432)	(23,966)	–	(162,398)
Net segment result	54,168	690	–	54,858	(76,842)	(13,772)	–	(90,614)
Cost of issuing warrants - non-recurring				–				(9,390)
Investment income				43				72
Net finance income on pension assets/liabilities				373				268
IAS 21/39 adjustments				3,166				14,672
Finance costs				(41,921)				(28,805)
Share of results of associates				10				22
Profit/(loss) before tax				16,529				(113,775)
Tax				19,535				26,517
Profit/(loss) after tax				36,064				(87,258)

* 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. Segment result represents the profit/(loss) 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.

6. Segment Information (continued)

b) Segment assets

	2010 £'000	2009 £'000
Assets		
Newspaper publishing	1,024,403	1,080,533
Contract printing	146,385	166,892
Total segment assets	1,170,788	1,247,425
Unallocated assets	16,727	16,764
Consolidated total assets	1,187,515	1,264,189

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.

c) Other segment information

	Newspaper publishing 2010 £'000	Contract printing 2010 £'000	Group 2010 £'000	Newspaper publishing 2009 £'000	Contract printing 2009 £'000	Group 2009 £'000
Additions to property, plant and equipment	3,794	620	4,414	2,172	235	2,407
Depreciation expense (inc. non-recurring items)	8,988	13,234	22,222	12,432	29,550	41,982
Net impairment of intangibles	13,086	–	13,086	126,000	–	126,000

7. Non-Recurring Items

	2010 £'000	2009 £'000
Non-recurring operating items:		
Impairment of intangible assets (note 15)	13,086	126,000
Gain on sale of assets	(1,350)	–
Restructuring costs of existing business*	9,238	14,573
Write down of value of presses in existing businesses	2,459	18,950
Impairment of unlisted investments	–	1,742
Costs related to aborted disposal of Republic of Ireland businesses	–	531
Write down of assets relating to disposed title	–	602
Curtailment gain regarding pension scheme (note 24)	(6,300)	–
Total non-recurring operating items	17,133	162,398
Non-recurring finance costs:		
Warrants issued	–	9,390
Total non-recurring items	17,133	171,788

* The provision of £1.5 million for the remaining term of the leased property in Limerick following the closure of that operation is included here. The balance relates to redundancy costs.

In addition to these non-recurring items, the Group has released certain tax provisions (as detailed on page 21) in the year totalling £13.6 million.

Notes to the Consolidated Financial Statements

for the 52 week period ended 1 January 2011 continued

8. Operating Profit/(Loss)

	2010 £'000	2009 £'000
Operating profit/(loss) is shown after charging/(crediting):		
Depreciation of property, plant and equipment (note 16)	19,763	23,032
Non-recurring write down of value of presses	2,459	18,950
Profit on disposal of property, plant and equipment:		
Operating disposals	(396)	(259)
Non-recurring disposals	(1,350)	—
Movement in allowance for doubtful debts (note 21)	(577)	(1,715)
Redundancy costs	7,683	13,333
Staff costs (note 9)	154,062	171,124
Auditors' remuneration:		
Audit services		
Group	100	100
Subsidiaries	240	230
Operating lease charges:		
Plant and machinery	496	345
Other	5,367	5,455
Net foreign exchange (gains)/losses	(44)	12
Cost of inventories recognised as expense	41,243	49,854

Staff costs shown above include £2,814,000 (2009: £2,866,000) relating to remuneration of Directors.

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

	2010 £'000	2009 £'000
Review of Interim Financial Statements	35	35
Audit of circulation and distribution figures of the Group's newspaper titles	—	27
Taxation compliance	85	86
Taxation advisory	34	83
	154	231

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 £17,800 (2009: £22,000) was paid to the external auditors for the audit of the Group's pension scheme.

9. Employees

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

	2010 No.	2009 No.
Editorial and photographic	1,993	2,222
Sales and distribution	2,850	2,932
Production	791	1,029
Administration	575	652
	6,209	6,835

	£'000	£'000
Staff costs:		
Wages and salaries	135,771	150,349
Social security costs	12,896	14,104
Other pension costs (note 24)	7,468	6,779
Cost of share-based awards (note 30)	(2,073)	(108)
	154,062	171,124

Full details of the Directors' emoluments, pension benefits and share options are included in the audited part of the Directors' Remuneration Report on pages 51 to 53.

10. Investment Income

	2010 £'000	2009 £'000
Income from available for sale investments	1	3
Interest receivable	42	69
	43	72

11. Finance Costs

	2010 £'000	2009 £'000
a) Net finance income on pension assets/liabilities		
Interest on pension liabilities	24,979	20,941
Expected return on pension assets	(25,352)	(21,209)
	(373)	(268)
b) Finance costs		
Interest on bank overdrafts and loans	30,194	24,346
Payment-in-kind interest accrual	6,441	2,193
Amortisation of term debt issue costs	5,286	2,266
Non-recurring cost of issuing share warrants	—	9,390
	41,921	38,195

c) IAS 21/39 items
Following the de-designation of our derivative financial instruments in the prior period, all movements in their fair value are now recorded in the Income Statement. In the current period, this movement was a credit of £2.6 million (2009: charge of £12.3 million).

The retranslation of our foreign denominated debt at the period end resulted in a credit of £0.6 million (2009: £27.0 million) being recorded in the Income Statement. The retranslation of the Euro denominated publishing titles is shown in the Statement of Comprehensive Income.

12. Tax

	2010 £'000	2009 £'000
Current tax		
Charge for the year	5,903	6,389
Adjustment in respect of prior periods	(13,806)	—
	(7,903)	6,389
Deferred tax (note 25)		
Charge/(credit) for the year	657	(32,906)
Adjustment in respect of prior periods	89	—
Deferred tax adjustment relating to the impairment of publishing titles	(3,471)	—
Credit relating to reduction in deferred tax rate to 27%	(8,907)	—
	(11,632)	(32,906)
Total tax credit for the year	(19,535)	(26,517)

UK corporation tax is calculated at 28.0% (2009: 28.0%) of the estimated assessable profit/(loss) for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

Notes to the Consolidated Financial Statements

for the 52 week period ended 1 January 2011 continued

12. Tax (continued)

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

	2010		2009	
	£'000	%	£'000	%
Profit/(loss) before tax	16,529	100.0	(113,775)	100.0
Tax at 28% (2009: 28%)	4,628	28.0	(31,857)	(28.0)
Tax effect of share of results of associate	(3)	–	(6)	–
Tax effect of (income)/expenses that are (non-taxable)/deductible in determining taxable profit	(1,866)	(11.3)	5,290	4.7
Tax effect of investment income	7	–	15	–
Effect of different tax rates of subsidiaries	323	2.0	383	0.3
Adjustment in respect of prior years	(13,717)	(83.0)	(715)	(0.6)
Losses carried back	–	–	373	0.3
Effect of reduction in deferred tax rate to 27%	(8,907)	(53.9)	–	–
Tax credit for the period and effective rate	(19,535)	(118.2)	(26,517)	(23.3)

13. Dividends

	2010 £'000	2009 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the period ended 2 January 2010 of nil (2008: nil)	–	–
Preference Dividends		
13.75% Cumulative Preference Shares	104	104
13.75% "A" Preference Shares	48	48
	152	152

No dividend is to be recommended to shareholders at the Annual General Meeting making a total for 2010 of £nil (2009: £nil).

14. Earnings per Share

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

	2010 £'000	2009 £'000
Earnings		
Profit/(loss) for the period	36,064	(87,258)
Preference dividend	(152)	(152)
Earnings for the purposes of basic and diluted earnings per share	35,912	(87,410)
Non-recurring and IAS 21/39 items (after tax)	(12,434)	122,804
Earnings for the purposes of underlying earnings per share	23,478	35,394

14. Earnings per Share (continued)

	2010 No. of shares	2009 No. of shares
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	639,743,875	639,739,926
Effect of dilutive potential ordinary shares:		
- warrants	15,708,618	5,680,278
Number of shares for the purposes of diluted earnings per share	655,452,493	645,420,204
Earnings per share (p)		
Basic	5.61	(13.66)
Underlying	3.67	5.53
Diluted - see below	5.48	(13.66)

Underlying figures are presented to show the effect of excluding non-recurring 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. No adjustment was made in 2009 to the diluted loss per share as the dilution effect of the warrants was to decrease the 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. Goodwill and Other Intangible Assets

	Goodwill £'000	Publishing Titles £'000
Cost		
Opening balance	145,254	1,312,979
Exchange movements	–	(2,836)
Closing balance	145,254	1,310,143
Accumulated impairment losses		
Opening balance	(144,390)	(390,466)
Impairment losses for the period	(864)	(42,963)
Reversal of past impairment	–	30,741
Closing balance	**(145,254)**	**(402,688)**
Carrying amount		
Closing balance	–	907,455
Opening balance	864	922,513

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. It is partially offset by a decrease in the euro borrowings.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination.

Notes to the Consolidated Financial Statements

for the 52 week period ended 1 January 2011 continued

15. Goodwill and Other Intangible Assets (continued)

The carrying value of goodwill and publishing titles by business segment is as follows:

	Goodwill		Publishing titles	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Publishing	–	864	907,455	922,513
Contract printing	–	–	–	–
Total	–	864	907,455	922,513

The Publishing segment comprises 7 cash generating units (CGUs). The Contract Printing segment comprises 1 CGU. The 7 CGUs within the Publishing segment are based around the geographies in which the Group operates.

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

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Following the reduction in the Group's net debt during the year and the resultant decrease in margins, there has been a decrease in the cost of capital. Therefore the discount rate applied to future cash flows has decreased from 9.59% in 2009 to 8.94% in 2010. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares discounted cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows for 20 years from the date of testing based on an estimated annual growth rate of 1.0%. A discounted residual value of 5 times the final year's cashflow is included in the forecast. The present value of the cash flows are then compared to the carrying value of the asset.

The total net impairment charge of £13.1 million recorded in the period comprises further impairment of £43.0 million primarily in the North and South of England, partially offset by the reversal of past impairment in Scotland and the Northwest of England. The net charge has arisen as a result of the advertising trends in the last quarter of 2010 continuing into the start of 2011 and the increase in newsprint costs.

The Group has conducted a sensitivity analysis on the impairment test of each CGUs carrying value. A decrease in the long-term growth rate of 0.5% would result in a further impairment for the Group of approximately £29 million, and an increase in the discount rate of 0.5% would result in a further impairment of around £41 million.

16. Property, Plant and Equipment

	Freehold land and buildings £'000	Leasehold buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost					
At 27 December 2008	105,396	5,278	314,408	18,286	443,368
Additions	240	116	1,706	345	2,407
Disposals	(194)	(132)	(22,343)	(1,833)	(24,502)
Exchange differences	(51)	(64)	(688)	(19)	(822)
At 2 January 2010	105,391	5,198	293,083	16,779	420,451
Reclassified to assets held for sale at start of period	(9,437)	—	(34,327)	—	(43,764)
Additions	45	—	4,282	87	4,414
Disposals	(86)	(15)	(31,329)	(2,854)	(34,284)
Exchange differences	(32)	(39)	(401)	(28)	(500)
Transferred to assets held for sale during the period	—	(762)	(4,076)	—	(4,838)
At 1 January 2011	**95,881**	**4,382**	**227,232**	**13,984**	**341,479**
Depreciation					
At 27 December 2008	10,198	1,600	158,631	12,441	182,870
Disposals	(99)	(120)	(22,011)	(1,699)	(23,929)
Charge for the period	7,516	175	12,774	2,567	23,032
Non-recurring write down in period	—	—	18,950	—	18,950
Exchange differences	(7)	(7)	(65)	(1)	(80)
At 2 January 2010	17,608	1,648	168,279	13,308	200,843
Reclassified to assets held for sale at start of period	(6,624)	—	(31,544)	—	(38,168)
Disposals	(40)	(15)	(31,194)	(2,805)	(34,054)
Charge for the period	1,925	744	15,305	1,789	19,763
Non-recurring write down in period	—	—	2,459	—	2,459
Exchange differences	(52)	(7)	(311)	(18)	(388)
Transferred to assets held for sale during the period	—	(762)	(3,305)	—	(4,067)
At 1 January 2011	**12,817**	**1,608**	**119,689**	**12,274**	**146,388**
Carrying amount					
At 1 January 2011	**83,064**	**2,774**	**107,543**	**1,710**	**195,091**
At 2 January 2010	87,783	3,550	124,804	3,471	219,608

Assets in the course of construction
There were no assets in the course of construction at the start or end of the period.

17. Available for Sale Investments

The Group's available for sale investments are:

	2010 £'000	2009 £'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

Notes to the Consolidated Financial Statements

for the 52 week period ended 1 January 2011 continued

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:

	2010 £'000	2009 £'000
Total assets	46	67
Total liabilities	(22)	(10)
Revenues	42	76
Profit	10	22

19. Assets Held for Sale

	Freehold land and buildings £'000	Leasehold buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 2 January 2010	—	—	—	—
Reclassified from property, plant and equipment at start of period	9,437	—	34,327	43,764
Disposals	(722)	—	(34,219)	(34,941)
Transferred from property, plant and equipment during period	—	762	4,076	4,838
Exchange differences	(30)	—	(115)	(145)
At 1 January 2011	**8,685**	**762**	**4,069**	**13,516**
Depreciation				
At 2 January 2010	—	—	—	—
Reclassified from property, plant and equipment at start of period	6,624	—	31,544	38,168
Disposals	(180)	—	(31,640)	(31,820)
Transferred from property, plant and equipment during period	—	762	3,305	4,067
Exchange differences	17	—	13	30
At 1 January 2011	**6,461**	**762**	**3,222**	**10,445**
Carrying amount				
At 1 January 2011	2,224	—	847	3,071
At 2 January 2010	—	—	—	—

20. Inventories

	2010 £'000	2009 £'000
Raw materials	4,531	3,144
Goods for resale	—	149
	4,531	3,293

21. Other Financial Assets and Liabilities

Trade and other receivables

	2010 £'000	2009 £'000
Current:		
Trade receivables	46,408	49,505
Allowance for doubtful debts	(7,478)	(8,055)
	38,930	41,450
Prepayments	4,610	4,828
Other debtors (see note below)	5,941	42,177
Corporation tax recoverable	—	367
Total current trade and other receivables	49,481	88,822
Non-current:		
Trade receivables	35	16

Trade receivables

The average credit period taken on sales is 52 days (2009: 59 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 £19.9 million (2009: £17.0 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 age of these receivables (past due) is 27 days (2009: 32 days).

Ageing of past due but not impaired trade receivables

	2010 £'000	2009 £'000
0 - 30 days	13,905	11,865
30 - 60 days	4,745	2,477
60 - 90 days	630	656
90+ days	621	1,976
Total	19,901	16,974

Movement in the allowance for doubtful debts

	2010 £'000	2009 £'000
Balance at the start of the year	8,055	9,770
Decrease in the allowance recognised in the Income Statement (note 8)	(577)	(1,715)
Balance at the end of the year	7,478	8,055

Notes to the Consolidated Financial Statements

for the 52 week period ended 1 January 2011 continued

21. Other Financial Assets and Liabilities (continued)

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

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.

	2010 £'000	2009 £'000
0 - 30 days	412	325
30 - 60 days	145	311
60 - 90 days	584	727
90+ days	6,337	6,692
Total	7,478	8,055

The Directors consider that the carrying amount of trade and other receivables at the balance sheet date approximates their fair value.

Other debtors

As previously reported, the Group had recorded a provision (originally for £80.0 million), with an equal and opposite offset in debtors to reflect the full tax indemnity received, regarding a tax assessment against one of the RIM companies acquired by the Group in 2002 relating to the prior sale of the RIM companies by United Business Media plc (UBM) in 1998.

In March 2010, UBM announced resolution of their dispute with HMRC and we agreed that UBM and HMRC would settle the matter directly with no flow of funds through the Group. The provision and related debtor were reduced to the sum agreed between UBM and HMRC as payable (£36.4 million) at 2 January 2010 and the remaining balances have now been reversed in full in the current year.

Cash and cash equivalents

Cash and cash equivalents totalling £11,112,000 (2009: £12,279,000) comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Trade and other payables

	2010 £'000	2009 £'000
Current:		
Trade creditors and accruals	33,458	45,729
Other creditors	14,224	4,637
Total current trade and other payables	47,682	50,366
Non-current:		
Trade and other creditors	155	2,077

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 23 days (2009: 29 days). The Group has financial risk management policies in place to ensure all payables are paid within the agreed credit terms.

During the year, the liability relating to onerous leases and dilapidations was reclassified to provisions (note 26).

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

22. Borrowings

	2010 £'000	2009 £'000
Bank overdrafts	5,550	1,022
Bank loans - sterling denominated	234,060	233,746
Bank loans - euro denominated	12,848	43,193
2003 Private placement loan notes	86,626	96,238
2006 Private placement loan notes	61,542	67,428
Term debt issue costs	(9,273)	(14,265)
Payment-in-kind interest accrual	8,634	2,193
Total borrowings	399,987	429,555

22. Borrowings (continued)

The borrowings are disclosed in the financial statements as:

	2010 £'000	2009 £'000
Current borrowings	251	31,465
Non-current borrowings	399,736	398,090
	399,987	429,555

The Group's net debt is:

	2010 £'000	2009 £'000
Gross borrowings as above	399,987	429,555
Cash and cash equivalents	(11,112)	(12,279)
Impact of currency hedge contracted rates	(11,481)	(9,483)
Net debt at currency hedge contracted rates	377,394	407,793
Term debt issue costs	9,273	14,265
Net debt excluding term debt issue costs	386,667	422,058

Analysis of borrowings by currency:

At 2010 period end

	Total £'000	Sterling £'000	Euros £'000	US Dollars £'000
Bank overdrafts	5,550	5,550	–	–
Bank loans	246,908	234,060	12,848	–
2003 Private placement loan notes	86,626	40,957	–	45,669
2006 Private placement loan notes	61,542	–	–	61,542
Term debt issue costs	(9,273)	(9,273)	–	–
Payment-in-kind interest accrual	8,634	6,413	–	2,221
	399,987	277,707	12,848	109,432

At 2009 period end

	Total £'000	Sterling £'000	Euros £'000	US Dollars £'000
Bank overdrafts	1,022	1,022	–	–
Bank loans	276,939	233,746	43,193	–
2003 Private placement loan notes	96,238	46,200	–	50,038
2006 Private placement loan notes	67,428	–	–	67,428
Term debt issue costs	(14,265)	(14,265)	–	–
Payment-in-kind interest accrual	2,193	2,193	–	–
	429,555	268,896	43,193	117,466

Credit facilities

The Group has credit facilities with bank lenders and private placement loan note holders in place until 30 September 2012. The facility is secured (see note 29) and share warrants over 5% of the Company's share capital have been issued to the lenders and note holders. Interest rates payable on all facilities are based on leverage multiples and reduce based on agreed ratchets relating to the Group's ratio of net debt to EBITDA.

Bank loans

The Group has credit facilities with a number of banks. The total facility is £287.2 million (2009: £324.0 million) of which £40.3 million is unutilised at the balance sheet date (2009: £47.1 million). The credit facilities are provided under two separate tranches as detailed below.

Facility A

Facility A is a revolving credit facility of £55.0 million, available to be drawn down up to 30 September 2012. This facility includes a bank overdraft facility of £10.0 million (2009: £10.0 million). The loans can be drawn down on a one, two or three monthly basis. Interest is payable at LIBOR plus a maximum cash margin of 4.15% (2009: 4.15%).

Notes to the Consolidated Financial Statements

for the 52 week period ended 1 January 2011 continued

22. Borrowings (continued)

Facility B
Facility B is a term loan facility of £232.2 million (2009: £269.0 million), with full repayment due on 30 September 2012. Interest is payable quarterly at LIBOR plus a maximum cash margin of 4.15% (2009: 4.15%).

Under the terms of the finance agreement, committed reductions of the facilities were due in 6 monthly intervals from 30 June 2010. However the June 2010 and December 2010 reductions were made early on 30 April 2010 and the June 2011 and December 2011 reductions were brought forward to 30 September 2010. Only the June 2012 facility reduction remains as scheduled.

Hedging
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. At the balance sheet date, borrowings of £245.0 million (2009: £200.0 million) were arranged at fixed rates and expose the Group to fair value interest rate risk. 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 of £41.0 million and $165.9 million. The notes are repayable in full on 30 September 2012. Interest is payable quarterly at fixed coupon rates up to 9.45% depending on covenants.

As noted with Facility B, committed reductions of the facilities were due in 6 monthly intervals from 30 June 2010. However all of the 2010 and 2011 reductions were made during 2010, leaving only the June 2012 facility reduction due.

2003 Private placement loan notes
The 2003 Private placement loan notes are made up of:

- £41.0 million at a coupon rate of up to 9.45% (2009: £46.2 million at a coupon rate of up to 9.45%); and
- $70.7 million at a coupon rate of up to 8.90% (2009: $79.7 million at a coupon rate of up to 8.90%).

Of the $70.7 million, $35.7 million has been swapped into floating sterling of £22.6 million and $35.0 million has been swapped into fixed sterling of £22.2 million to hedge the Group's exposure to US dollar interest rates (2009: $44.7 million into floating sterling of £28.3 million and $35.0 million into fixed sterling of £22.2 million).

2006 Private placement loan notes
The 2006 Private placement loan notes are made up of:

- $33.8 million at a coupon rate of up to 9.33% (2009: $38.1 million at a coupon rate of up to 9.33%); and
- $61.4 million at a coupon rate of up to 9.43%. (2009: $69.3 million at a coupon rate of up to 9.43%).

The total amount of $95.2 million has been swapped back into fixed sterling of £32.9 million (2009: £37.1 million) and floating sterling of £18.1 million (2009: £20.4 million), again to hedge the Group's exposure to US dollar interest rates.

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. This margin increases throughout the period of the facility. The PIK margin is eliminated if £85.0 million is repaid on the facilities excluding the scheduled facility reductions. The PIK accrues at a margin of between 1.35% and 3.05%.

Interest rates:

The weighted average interest rates paid over the course of the year, were as follows:

	2010 %	2009 %
Bank overdrafts	4.6	2.0
Bank loans	10.7	6.0
2003 Private placement loan notes	8.9	5.6
2006 Private placement loan notes	8.7	5.6
	10.0	5.8

The increase in the weighted average interest rates is due to the interest rates under the Group's credit facilities being effective for the full year in 2010.

23. Derivative Financial Instruments

Derivatives that are carried at fair value are as follows:

	2010 £'000	2009 £'000
Interest rate swaps - current liability	(728)	(1,045)
Interest rate swaps - non-current liability	(3,513)	(5,806)
Cross currency swaps - non-current asset	15,757	15,794
	11,516	8,943

24. Retirement Benefit Obligation

Throughout 2010 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.
- Two ROI industry-wide final salary schemes and a third final salary scheme for a small number of employees in Limerick. There are no additional financial implications to the Group if these schemes are terminated. Consequently, the Group's obligations to these schemes is included in Long Term Provisions and the details shown below exclude these schemes.

The JPPP is in two parts, a defined contribution scheme and a defined benefit scheme. The latter is closed to new members and was closed to future accrual on 30 June 2010. A curtailment credit of £6.3 million has been recognised in the Group Income Statement in the current year. The assets of the schemes are held separately from those of the Group. The contributions are determined by a qualified actuary on the basis of a triennial valuation using the projected unit method. The contributions are fixed annual amounts and a percentage of salary with the intention of eliminating the deficit within 10 years from the date of the last triennial valuation as at 31 December 2007. The next triennial valuation is due as at 31 December 2010. As the defined benefit section has been closed to new members for a considerable period the last active member is scheduled to retire in 35 years with, at current mortality assumptions, the last pension paid in 55 years. On a discounted basis the duration of the pension liabilities is circa 20 years. The financial information provided below relates to the defined benefit element of the JPPP.

The composition of the trustees of the JPPP is made up of an independent Chairman, a number of member nominated (by ballot) trustees and several Company appointed trustees. Half of the trustees are nominated by members of the JPPP, both current and past employees. 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.

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 was as follows:

	2010 £'000	2009 £'000
Defined benefit schemes	1,064	1,070
Defined contribution schemes and Irish schemes	6,404	5,709
	7,468	6,779

Notes to the Consolidated Financial Statements

for the 52 week period ended 1 January 2011 continued

24. Retirement Benefit Obligation (continued)

Major assumptions:

	2010 £'000	2009 £'000
Discount rate	5.4%	5.7%
Expected return on scheme assets	6.8%	7.1%
Expected rate of salary increases	n/a	4.0%
Future pension increases		
Deferred revaluations (CPI)	2.6%	n/a
Pensions in payment (RPI)	3.3%	3.5%
Life expectancy		
Male	19.9 years	19.8 years
Female	23.0 years	22.9 years

The expected rate of salary increases is no longer relevant to the calculation of Plan liabilities given its closure to future accrual and so is noted as 'not applicable' in the table above.

Following the Government led alteration to the level of statutory increases to be awarded in the future to deferred revaluations from being linked to RPI to being linked to the Consumer Prices Index (CPI), the rate of inflation applied to deferred liabilities has changed in the current period and is now based on CPI. The table above shows this assumption and also RPI which remains to be applied to pensions in payment. This change in the statutory minimum for deferred pension increases has reduced liabilities by £15.0 million.

The valuation of the defined benefit section'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 2% or £9.3 million.
- A change in the life expectancy by one year would change liabilities by approximately 3% or £14.5 million.

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

	2010 £'000	2009 £'000
Current service cost	1,064	1,070
Interest cost	24,979	20,941
Expected return on scheme assets	(25,352)	(21,209)
Gain on curtailment	(6,300)	–
	(5,609)	802

Of the current service cost for the year, £798,000 (2009: £803,000) has been included in cost of sales and £266,000 (2009: £267,000) has been included in operating expenses. An actuarial gain of £14,064,000 (2009: loss of £71,288,000) has been recognised in the Group Statement of Comprehensive Income in the current period. 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 £34,881,000 (2009: loss of £48,945,000). The actual return on scheme assets was £36,491,000 (2009: £50,346,000 return).

Amounts included in the Statement of Financial Position:

	2010 £'000	2009 £'000
Present value of defined benefit obligations	446,095	446,114
Fair value of plan assets	(385,309)	(362,006)
Total liability recognised in Statement of Financial Position	60,786	84,108
Amount included in current liabilities	(4,444)	(5,111)
Amount included in non-current liabilities	56,342	78,997

24. Retirement Benefit Obligation (continued)

Movements in the present value of defined benefit obligations:

	2010 £'000	2009 £'000
Balance at the start of the period	446,114	340,060
Service costs	1,064	1,070
Interest costs	24,979	20,941
Contribution from scheme members	927	2,175
Age related rebates	565	1,086
Changes in assumptions underlying the defined benefit obligations*	(2,925)	100,425
Gain on curtailment	(6,300)	—
Benefits paid	(18,329)	(19,643)
Balance at the end of the period	446,095	446,114

Movements in the fair value of plan assets:

	2010 £'000	2009 £'000
Balance at the start of the period	362,006	321,849
Expected return on plan assets	25,352	21,209
Actual return less expected return on plan assets*	11,139	29,137
Contributions from the sponsoring companies	3,649	6,193
Contributions from plan members	927	2,175
Age related rebates	565	1,086
Benefits paid	(18,329)	(19,643)
Balance at the end of the period	385,309	362,006

* Net of £7.0 million pension fund asset/liability adjustment

Analysis of the plan assets and the expected rate of return:

	Expected return		Fair value of assets	
	2010 %	2009 %	2010 £'000	2009 £'000
Equity instruments	8.0	8.2	250,836	228,426
Debt instruments	4.8	5.2	90,162	86,157
Property	6.0	6.2	20,807	19,186
Other assets	3.3	4.8	23,504	28,237
	6.9	7.1	385,309	362,006

Five year history:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of defined benefit obligations	446,095	446,114	340,060	406,900	420,913
Fair value of scheme assets	(385,309)	(362,006)	(321,849)	(393,757)	(375,474)
Deficit in the plan	60,786	84,108	18,211	13,143	45,439
Experience adjustments on scheme liabilities					
Amount (£'000)	2,925	(100,425)	80,193	30,179	2,547
Percentage of plan liabilities (%)	0.7%	(22.5%)	23.6%	7.4%	0.6%
Experience adjustments on scheme assets					
Amounts (£'000)	11,139	29,137	(92,340)	(4,895)	7,828
Percentage of plan assets (%)	2.9%	8.0%	(28.7%)	(1.2%)	2.1%

The estimated amounts of contributions expected to be paid to the scheme during 2011 is £4,444,000 (2009: £5,111,000).

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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.

	Properties not eligible £'000	Accelerated tax depreciation £'000	Intangible assets £'000	Pension balances £'000	Other timing differences £'000	Total £'000
At 27 December 2008	13,638	21,195	288,460	(5,099)	498	318,692
Charge/(credit) to income	(87)	(5,700)	(28,961)	1,516	326	(32,906)
Credit to equity	—	—	—	(19,968)	(2,223)	(22,191)
Currency movements	—	(17)	(2,127)	—	3	(2,141)
At 2 January 2010	13,551	15,478	257,372	(23,551)	(1,396)	261,454
Charge/(credit) to income	(460)	(531)	(3,854)	2,628	(508)	(2,725)
Debit to equity	—	—	—	3,936	—	3,936
Reduction in tax rate - income	(552)	(457)	(8,664)	716	50	(8,907)
Reduction in tax rate - equity	—	—	48	(141)	—	(93)
Transfer between categories	2,263	(2,263)	—	—	—	—
Currency movements	—	(1)	(709)	—	—	(710)
At 1 January 2011	14,802	12,226	244,193	(16,412)	(1,854)	252,955

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:

	2010 £'000	2009 £'000
Deferred tax liabilities	271,221	286,401
Deferred tax assets	(18,266)	(24,947)
	252,955	261,454

Temporary differences arising in connection with interests in associates are insignificant.

The Group estimates that the future rate changes to 24% would reduce its UK actual deferred tax liability provided at 1 January 2011 by £27.0 million, however the impact will be dependent on our deferred tax position at that time.

26. Long Term Provisions

	Onerous leases and dilapidations £'000	Unfunded pensions £'000	Post retirement health costs £'000	Obligations to industry sponsored pension schemes £'000	Total £'000
At the start of the period	—	1,189	295	374	1,858
Reclassification from accruals	2,120	—	—	—	2,120
Reclassification from non-current trade and other payables	1,925	—	—	—	1,925
Charge to income (including non-recurring element)	1,597	—	—	—	1,597
Actuarial valuation	—	—	—	(120)	(120)
Paid during the period	(455)	—	(45)	—	(500)
At the end of the period	5,187	1,189	250	254	6,880

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.

The provision for onerous leases and dilapidations has been reclassified from accruals and non-current trade and other payables to more accurately reflect the expected timing of payment.

27. Share Capital

	2010 £'000	2009 £'000
Issued		
639,746,083 Ordinary Shares of 10p each (2009: 639,739,965)	63,975	63,974
756,000 13.75% Cumulative Preference Shares of £1 each (2009: 756,000)	756	756
349,600 13.75% "A" Preference Shares of £1 each (2009: 349,600)	350	350
	65,081	65,080

During the period ended 1 January 2011, the only change in the issued share capital of the Company was an exercise under the terms of the SAYE scheme of 6,118 Ordinary Shares of 10p for a consideration of £1,750. Details of options outstanding are shown in note 30. At the Company's Annual General Meeting on 30 April 2010 a special resolution was passed adopting new Articles of Association consistent with the Companies Act 2006 which removed the concept of authorised share capital.

The Company has only one class of ordinary shares which has no right to fixed income. All the preference shares carry the right, subject to the discretion of the Company to distribute profits, to a fixed dividend of 13.75% and rank in priority to the ordinary shares. Given the discretionary nature of the dividend right, the preference shares are considered to be equity under IAS 32.

28. Notes to the Cash Flow Statement

	2010 £'000	2009 £'000
Operating profit/(loss)	54,8[illegible]	(90,614)
Adjustments for:		
Impairment of intangibles - non-recurring	13,086	126,000
Other non-cash non-recurring items	1,555	2,344
Depreciation of property, plant and equipment (including write-downs)	22,222	41,982
Currency differences	(39)	12
Credit from share based payments	(2,073)	(108)
Profit on disposal of property, plant and equipment	(1,746)	(259)
Movement on pension provision	(1,373)	(3,449)
IAS 19 pension curtailment gain (non-recurring)	(6,300)	—
Operating cash flows before movements in working capital	80,190	75,908
(Increase)/decrease in inventories	(1,668)	3,167
Decrease in receivables	1,546	15,703
Decrease in payables	(730)	(897)
Cash generated from operations	79,338	93,881

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.

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for the 52 week period ended 1 January 2011 continued

29. Guarantees and Other Financial Commitments

a) 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.

	2010 £'000	2009 £'000
Minimum lease payments under operating leases recognised as an expense in the year	5,863	5,800

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:

	2010 £'000	2009 £'000
Within one year	5,664	5,089
In the second to fifth years inclusive	16,689	15,443
After five years	21,849	23,081
	44,202	43,613

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.

b) Assets pledged as security

Under the refinancing agreement signed on 28 August 2009, 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.

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. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the period:

	2010		2009	
	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	321,888	232	384,926	234
Lapsed/forfeited during the period	(9,231)	214	(63,038)	242
Outstanding at the end of the period	312,657	246	321,888	232
Exercisable at the end of the period	312,657	246	321,888	232

No share options were exercised during the period. The options outstanding at the period end had a weighted average exercise price of 246p, and a weighted average remaining contractual life of 1.7 years. No options have been granted since 2005.

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 net credit of £2,123,000 related to equity-settled share-based payment transactions in 2010 for the Executive Share Option Scheme (2009: net credit of £328,000).

30. Share-based Payments (continued)

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

Options outstanding under Savings-Related Scheme at the period end:

Option Grant Date	Number of Shares	Issue price per Share
26.09.03	26,045	253.77p
29.09.04	29,800	304.46p
29.09.05	91,216	291.60p
29.09.06	87,015	224.76p
29.09.06	10,404	228.80p
27.09.07	286,553	226.41p
27.09.07	3,165	220.17p
26.09.08	3,851,097	37.60p
26.09.08	114,141	37.60p
25.09.09	4,008,627	28.60p
25.09.09	91,169	28.60p
28.09.10	15,849,551	15.75p
28.09.10	49,657	15.75p

The Group recognised a net charge of £964,000 in 2010 (2009: net charge of £1,374,000) 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 30 August 2002, 29 August 2003, 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 and 1 September 2010 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 in 2002 and thereafter.

Awards outstanding under Share Matching Plan at the period end:

The Group recognised a total credit of £1,357,000 in 2010 (2009: £nil) in relation to the Share Matching Plan. The performance conditions for the matching awards granted prior to 1 January 2007, when the plan was suspended, were not met and all awards have lapsed.

Awards outstanding under Performance Share Plan at the period end:

Date	PSP Awards	Market Price on Award	Vesting Dates
25.09.08	7,617,123	37.50p	25.09.11
30.06.09	12,362,539	16.50p	30.06.12
16.04.10	7,561,552	31.75p	16.04.13

The Group recognised a net charge of £443,000 in 2010 (2009: net credit of £1,154,000) related to equity-settled share-based payment transactions for the Performance Share Plan.

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31. Related Party Transactions

a) 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.

	Purchases		Creditors		Sales		Debtors	
	2010	2009	2010	2009	2010	2009	2010	2009
Related party	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Classified Periodicals Ltd	43	50	9	9	–	–	–	–

Classified Periodicals Ltd is an associated undertaking of Johnston Press plc, which re-publishes in a separate publication classified advertisements which appear in the Group's titles and those of certain other publishers. The Group provides certain administrative, distribution and production services to Classified Periodicals Ltd.

The investment in Free Admart Ltd was disposed of in February 2009.

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.

b) Key management personnel

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

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 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 Reconciliation of Shareholders' Equity.

b) Gearing ratio

The Board of Directors formally reviews the capital structure of the Group twice each year and also 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 the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at the period end is as follows:

	2010 £'000	2009 £'000
Debt	399,987	429,555
Cash and cash equivalents	(11,112)	(12,279)
Net debt (excluding the impact of cross-currency hedges)	388,875	417,276
Equity	411,187	370,024
Gearing ratio	48.6%	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.

32. Financial Instruments (continued)

e) Categories of financial instruments

	2010 £'000	2009 £'000
Financial assets (current and non-current)		
Derivative instruments	15,757	15,794
Trade receivables	38,930	41,466
Cash and cash equivalents	11,112	12,279
Available for sale financial assets	970	970
Financial liabilities (current and non-current)		
Derivative instruments	(4,241)	(6,851)
Trade payables	(11,182)	(14,142)
Borrowings	(399,987)	(429,555)

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 requirements of the bank loan and private placement funding agreements, which provide guidelines which must be operated within. The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

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

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:

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

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

In 2010, the Group continued to reduce its risk to fluctuations in the euro by repaying euro borrowings. This brings the euro borrowings in line with the value of the investment in our foreign operations.

There have been no further changes to the Group's exposure to market risks or the manner in which it manages and measures risk.

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32. Financial Instruments (continued)

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. The Group is a party to a number of cross currency interest rate swaps at the year end in the management of its exchange rate exposures. The instruments purchased are primarily denominated in US dollars in order to hedge the risks associated with the US dollar denominated private placement loan notes. There were no open foreign currency forward contracts at the year end (2009: nil).

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

	Liabilities		Assets	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Euro				
Trade receivables	–	–	3,018	6,466
Cash and cash equivalents	–	–	1,487	1,836
Trade payables	(2,467)	(3,143)	–	–
Borrowings	(12,848)	(43,193)	–	–
US Dollar				
Borrowings	(109,432)	(117,466)	–	–

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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Profit or loss	466	1,776	109	–
Other equity	–	–	–	–

Of the impact on profit or loss an increase of £612,000 (2009: £2,057,000) relates to the retranslation of the Group's euro denominated borrowings. The £109,000 impact on profit or loss from US Dollar exposure relates to the retranslation of that element of the PIK accrual.

In 2010, the sterling/euro exchange rate improved from the closing 2009 year rate of 1.1113 to 1.1675. This resulted in a foreign translation gain on borrowings of £2.6 million for the financial year.

32. Financial Instruments (continued)

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. 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.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in section k.

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 decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

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

- net profit would increase by £409,000 (2009: net loss would decrease by £722,000). The decrease in the current year is mainly due to the impact of the Group's fair value hedges; and
- net profit would decrease by £664,000 (2009: net loss would increase by £16,000) as a result of the changes in the fair value of the Group's cash flow hedges.

For an increase 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.

Table 1
Cash flow hedges - outstanding receive floating: pay fixed contracts and receive fixed: pay fixed contracts

	Average contract fixed interest		Notional principal amount		Fair value	
	2010 %	2009 %	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Within 1 year	4.59	4.48	75,000	55,000	(727)	(1,045)
2 to 5 years	3.83	5.27	225,047	204,280	5,174	2,653
	4.02	5.10	300,047	259,280	4,447	1,608

Contracts with a nominal value of £75.0 million have fixed interest payments at an average of 4.59% for periods up to 2011, contracts with a nominal value of £170.0 million have fixed interest payments at an average of 2.55% for periods up to 2012 and contracts with a nominal value of $96.4 million have fixed interest payments at an average of 7.80% for periods up to 2012.

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 rate amounts are entered into in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings.

Table 2
Fair value hedges - outstanding receive fixed: pay floating contracts

	Average contract fixed interest		Notional principal amount		Fair value	
	2010 %	2009 %	2010 £'000	2009 £'000	2010 £'000	2009 £'000
2 to 5 years	8.84	9.08	40,704	48,703	7,068	7,334

The interest rate swaps settle on a quarterly basis. The average floating rate on the interest rate swaps is 3 month LIBOR plus a margin of 3.90%. The Group settles the difference between the fixed and floating interest rates on a net basis.

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32. Financial Instruments (continued)

i) Interest rate risk management (continued)
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 interest rate and cross currency swaps are classified as level 2 financial instruments. There have been no transfers between the various levels of the fair value hierarchy during the period.

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:

	2010		2009	
	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	11,112	–	12,279	–
Derivative instruments	15,757	–	15,794	–
	27,839	–	29,043	–

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 reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 22 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity risk is further discussed in the Business Review on page 22.

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

32. Financial Instruments (continued)

k) Liquidity risk management (continued)

Period ended 1 January 2011

	Bank overdraft £'000	Bank loans £'000	2003 Private placement £'000	2006 Private placement £'000	Trade payables £'000	Total £'000
Within 1 year	5,550	11,593	7,878	5,744	11,182	41,947
In 1-2 years	—	262,412	94,239	67,060	—	423,711
	5,550	274,005	102,117	72,804	11,182	465,658

Period ended 2 January 2010

	Bank overdraft £'000	Bank loans £'000	2003 Private placement £'000	2006 Private placement £'000	Trade payables £'000	Total £'000
Within 1 year	1,022	30,085	13,647	9,715	14,142	68,611
In 1-2 years	—	35,989	14,185	10,084	—	60,258
2-3 years	—	252,973	91,089	63,923	—	407,985
	1,022	319,047	118,921	83,722	14,142	536,854

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

	2010 Payable £'000	2010 Receivable £'000	2009 Payable £'000	2009 Receivable £'000
Within 1 year	11,107	11,091	14,401	12,296
In 1-2 years	102,533	116,008	11,316	12,839
2-3 years	—	—	115,029	127,091
	113,640	127,099	140,746	152,226

The Group has access to financial facilities, the total unutilised amount of which is £40.3 million (2009: £47.1 million) at the reporting date. The Group expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

l) 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.

Company Balance Sheet

at 1 January 2011

	Notes	2010 £'000	2009 £'000
Fixed Assets			
Tangible	35	9	567
Investments	36	624,728	631,810
		624,737	632,377
Current assets			
Stocks	37	–	162
Debtors - due within one year	38	77,092	76,310
- due after more than one year	38	456,185	457,577
Cash at bank and in hand		179	3,248
		533,456	537,297
Creditors: amounts falling due within one year	39	(117,500)	(135,866)
Net current assets		415,956	401,431
Total assets less current liabilities		1,040,693	1,033,808
Creditors: amounts falling due after more than one year	40	(403,249)	(414,468)
Provisions for liabilities	42	(1,189)	(1,189)
Net assets		636,255	618,151
Capital and reserves			
Called-up share capital			
Ordinary		63,975	63,974
Preference		1,106	1,106
		65,081	65,080
Reserves	43	571,174	553,071
Shareholders' funds		636,255	618,151

The comparative numbers are as at 2 January 2010.

The financial statements of Johnston Press plc, registered number 15382, were approved by the Board of Directors on 9 March 2011 and were signed on its behalf by:

John Fry, Chief Executive Officer

Stuart Paterson, 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 1 January 2011

33. 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 profit for the period, determined in accordance with the Act, was £20,328,000 (2009: loss of £61,644,000). The financial statements have been prepared on the historical cost basis except for the revaluation of certain fixed assets and derivative financial instruments. The principal accounting policies adopted are set out below.

The 2010 period was for the 52 weeks ended 1 January 2011 with the prior year being for the 53 weeks ended 2 January 2010.

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 in preparing the financial statements.

Tangible fixed assets

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

Heritable and freehold property (excluding land)	2.5% on written down value
Leasehold land and buildings	equal annual instalments over lease term
Other plant and machinery	6.67%, 10%, 20%, 25% and 33% straight line basis
Motor vehicles	25% straight line basis

Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. 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.

Stocks

Stocks 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.

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.

Notes to the Company Financial Statements

for the 52 week period ended 1 January 2011

33. Significant Accounting Policies (continued)

Financial instruments

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

The Company's activities and funding structure give rise to some exposure to the financial risks of changes in interest rates and foreign currency exchange rates. The Company uses interest rate swaps and cross currency interest rate swaps to 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 on page 66.

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.

34. Staff Costs

	2010 No.	2009 No.
Average number of employees		
Sales	–	1
Production	3	6
Administration	22	27
	25	34

	2010 £'000	2009 £'000
Employee costs (including directors)		
Wages and salaries	2,757	2,890
Social security costs	326	305
Other pension costs	178	514
	3,261	3,709

35. Tangible Fixed Assets

	Freehold buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 27 December 2008	709	192	72	973
Additions	—	9	—	9
Disposals	—	(14)	(30)	(44)
At 2 January 2010	709	187	42	938
Disposals	(709)	(23)	—	(732)
At 1 January 2011	—	164	42	206
Depreciation				
At 27 December 2008	152	183	29	364
Disposals	—	(14)	(16)	(30)
Charge for the year	14	6	17	37
At 2 January 2010	166	175	30	371
Disposals	(171)	(21)	—	(192)
Charge for the year	5	3	10	18
At 1 January 2011	—	157	40	197
Carrying amount				
At 1 January 2011	—	7	2	9
At 2 January 2010	543	12	12	567

36. Investments

	Subsidiary undertakings £'000	Unlisted investments £'000	Total £'000
Cost			
At the start of the period	1,105,370	3,526	1,108,896
Amounts relating to share based payments	(188)	—	(188)
At the end of the period	1,105,182	3,526	1,108,708
Provisions for impairment			
At the start of the period	(473,560)	(3,526)	(477,086)
Provision for impairment	(6,894)	—	(6,894)
At the end of the period	(480,454)	(3,526)	(483,980)
Net book value			
At the start of the period	631,810	—	631,810
At the end of the period	624,728	—	624,728

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 1 January 2011

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
Johnston (Falkirk) Ltd	Scotland	100%	Newspaper publishers
Strachan & Livingston Ltd	Scotland	100%	Newspaper publishers
Wilfred Edmunds Ltd	England	100%	Newspaper publishers
Yorkshire Weekly Newspaper Group Ltd	England	100%	Newspaper publishers
Sussex Newspapers Ltd	England	100%	Newspaper publishers
T R Beckett Ltd	England	100%	Newspaper publishers
*Halifax Courier Ltd	England	100%	Newspaper publishers
*Isle of Man Newspapers Ltd	Isle of Man	100%	Newspaper publishers and printers
South Yorkshire Newspapers Ltd	England	100%	Newspaper publishers
Yorkshire Regional Newspapers Ltd	England	100%	Newspaper publishers
*East Midlands Newspapers Ltd	England	100%	Newspaper publishers
Lincolnshire Newspapers Ltd	England	100%	Newspaper publishers
Anglia Newspapers Ltd	England	100%	Newspaper publishers
Northamptonshire Newspapers Ltd	England	100%	Newspaper publishers
Central Counties Newspapers Ltd	England	100%	Newspaper publishers
Premier Newspapers Ltd	England	100%	Newspaper publishers
Peterboro' Web Ltd	England	100%	Contract printers
*Northampton Web Ltd	England	100%	Contract printers
*Portsmouth Publishing & Printing Ltd	England	100%	Newspaper publishers and printers
*Northeast Press Ltd	England	100%	Newspaper publishers and printers
*The Tweeddale Press Ltd	Scotland	100%	Newspaper publishers
*Yorkshire Post Newspapers Ltd	England	100%	Newspaper publishers and printers
*Ackrill Newspapers Ltd	England	100%	Newspaper publishers
*Sheffield Newspapers Ltd	England	100%	Newspaper publishers and printers
*Lancashire Evening Post Ltd	England	100%	Newspaper publishers
*Lancashire Publications Ltd	England	100%	Newspaper publishers
*Lancaster & Morecambe Newspapers Ltd	England	100%	Newspaper publishers
*Johnston Letterbox Direct Ltd	England	100%	Newspaper publishers
*Blackpool Gazette & Herald Ltd	England	100%	Newspaper publishers
*East Lancashire Newspapers Ltd	England	100%	Newspaper publishers
Score Press Ltd	Scotland	100%	Holding company
*Morton Newspapers Ltd	Northern Ireland	100%	Newspaper publishers and printers
*Kilkenny People Publishing Ltd	Republic of Ireland	100%	Newspaper publishers
*Angus County Press Ltd	Scotland	100%	Newspaper publishers
*Galloway Gazette Ltd	Scotland	100%	Newspaper publishers
*Stornoway Gazette Ltd	Scotland	100%	Newspaper publishers
*Longford Leader Ltd	Republic of Ireland	100%	Newspaper publishers
*Leitrim Observer Ltd	Republic of Ireland	100%	Newspaper publishers
*Leinster Leader Ltd	Republic of Ireland	100%	Newspaper publishers
*Leinster Express 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
*Derry Journal Ltd	Northern Ireland	100%	Newspaper publishers
*Donegal Democrat Ltd	Republic of Ireland	100%	Newspaper publishers
The Scotsman Publications Ltd	Scotland	100%	Newspaper publishers
*Clonnad 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.

37. Stocks

	2010 £'000	2009 £'000
Raw materials	–	13
Goods for resale	–	149
	–	162

38. Debtors

	2010 £'000	2009 £'000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	66,713	65,269
Corporation tax recoverable	9,999	10,411
Trade and other debtors and prepayments	380	630
	77,092	76,310
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	440,062	441,401
Derivative financial instruments (note 23)	15,757	15,794
Deferred tax asset - see below	366	382
	456,185	457,577

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	30	333	19	382
Charge to profit and loss account	(2)	—	–	(2)
Reduction in tax rate	(1)	(12)	(1)	(14)
At the end of the period	27	321	18	366

39. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Borrowings (note 41)	430	21,735
Amounts owed to subsidiary undertakings	110,125	107,818
Other taxes and social security costs	498	175
Accruals and deferred income	5,719	5,077
Other creditors	—	16
Derivative financial instruments (note 23)	728	1,045
	117,500	135,866

Notes to the Company Financial Statements

for the 52 week period ended 1 January 2011

40. Creditors: amounts falling due after more than one year

	2010 £'000	2009 £'000
Borrowings (note 22)	399,736	408,662
Derivative financial instruments (note 23)	3,513	5,806
	403,249	414,468

41. Borrowings

The Company's bank overdrafts and loans comprise:	2010 £'000	2009 £'000
Bank overdrafts	5,729	1,864
Bank loans - sterling	234,060	233,746
Bank loans - euro denominated	12,848	43,193
2003 Private placement loan notes	86,626	96,238
2006 Private placement loan notes	61,542	67,428
Payment-in-kind interest accrual	8,634	2,193
Term debt issue costs	(9,273)	(14,265)
	400,166	430,397

The borrowings are repayable as follows:	2010 £'000	2009 £'000
On demand or within one year	5,729	27,021
Within one to two years	403,710	30,187
Within two to five years	—	387,454
	409,439	444,662
Less amount due for settlement within one year	(5,729)	(27,021)
Amount due for settlement after more than one year	403,710	417,641

The borrowings are shown in the Balance Sheet net of term debt issue costs of £9,273,000 of which £5,299,000 is deducted from current liabilities (2009: £14,265,000 of which £5,286,000 is deducted from current liabilities).

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

42. Provisions For Liabilities

	Unfunded pensions £'000
At the start and end of the period	1,189

The unfunded pension provision is assessed by a qualified actuary at each period end.

43. Reserves

	Share Premium £'000	Share-based Payments Reserve £'000	Revaluation Reserve £'000	Hedging and Translation Reserve £'000	Retained Earnings £'000	Other Reserves £'000	Own Shares £'000	Total £'000
Opening balance	502,818	19,346	47	–	16,354	19,510	(5,004)	553,071
Profit for the period	–	–	–	–	20,328	–	–	20,328
Revaluation adjustment	–	–	(47)	–	47	–	–	–
Dividends	–	–	–	–	(152)	–	–	(152)
Provision for share-based payments	–	(2,073)	–	–	–	–	–	(2,073)
At the end of the period	502,818	17,273	–	–	36,577	19,510	(5,004)	571,174

Further details of share-based payments are shown in note 30.

Group Five Year Summary

	2006 £'000	2007 £'000	2008 £'000	2009† £'000	2010 £'000
Income Statement					
Revenue	602,221	607,504	531,899	427,996	398,084
Operating profit on ordinary activities+	186,773	178,142	128,414	71,784	71,991
Share of associates' operating profit	60	76	85	22	10
Non-recurring items	(15,143)	(12,703)	(528,090)	(162,398)	(17,133)
Profit/(loss) before interest and taxation	171,690	165,515	(399,591)	(90,592)	54,868
Net finance costs	(40,136)	(40,801)	(29,667)	(28,465)	(41,505)
Non-recurring finance costs and IAS 21/39 items	–	–	–	5,282	3,166
Profit/(loss) before taxation	131,554	124,714	(429,258)	(113,775)	16,529
Taxation	(35,899)	(11,159)	63,788	26,517	19,535
Profit/(loss) for the year	95,655	113,555	(365,470)	(87,258)	36,064
Statistics					
Basic earnings/(loss) per share*	24.42p	28.91p	(67.99p)	(13.66p)	5.61p
Underlying earnings per share*	26.93p	25.08p	13.41p	5.53p	3.67p
Operating profit+ to turnover	31.0%	29.3%	24.1%	16.8%	18.1%
Balance Sheet					
Intangible assets	1,483,733	1,503,624	1,057,886	923,377	907,455
Property, plant and equipment and assets held for sale	268,342	273,381	260,498	219,608	195,091
Investments	2,745	2,751	2,772	1,000	982
Derivative financial instruments	6,598	4,192	36,488	15,794	15,757
	1,761,418	1,783,948	1,357,644	1,159,779	1,119,285
Net current assets/(liabilities)	24,526	(2,378)	8,400	(41,473)	11,483
Total assets less current liabilities	1,785,944	1,781,570	1,366,044	1,118,306	1,130,768
Non-current liabilities	(769,321)	(691,010)	(519,728)	(405,973)	(403,404)
Long term provisions	(442,810)	(406,785)	(332,496)	(342,309)	(316,177)
Net Assets	573,813	683,775	513,820	370,024	411,187
Shareholders' Funds					
Ordinary Shares	28,787	28,838	63,974	63,974	63,975
Preference Shares	1,106	1,106	1,106	1,106	1,106
Reserves	543,920	653,831	448,740	304,944	346,106
Capital Employed	573,813	683,775	513,820	370,024	411,187

† All periods related to 52 trading weeks with the exception of 2009 which is a 53 week period.

* The earnings per share for the periods ended 2006 and 2007 have been restated to reflect the dilution factor of the Rights Issue completed in June 2008.

+ before non-recurring and IAS21/39 items.

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