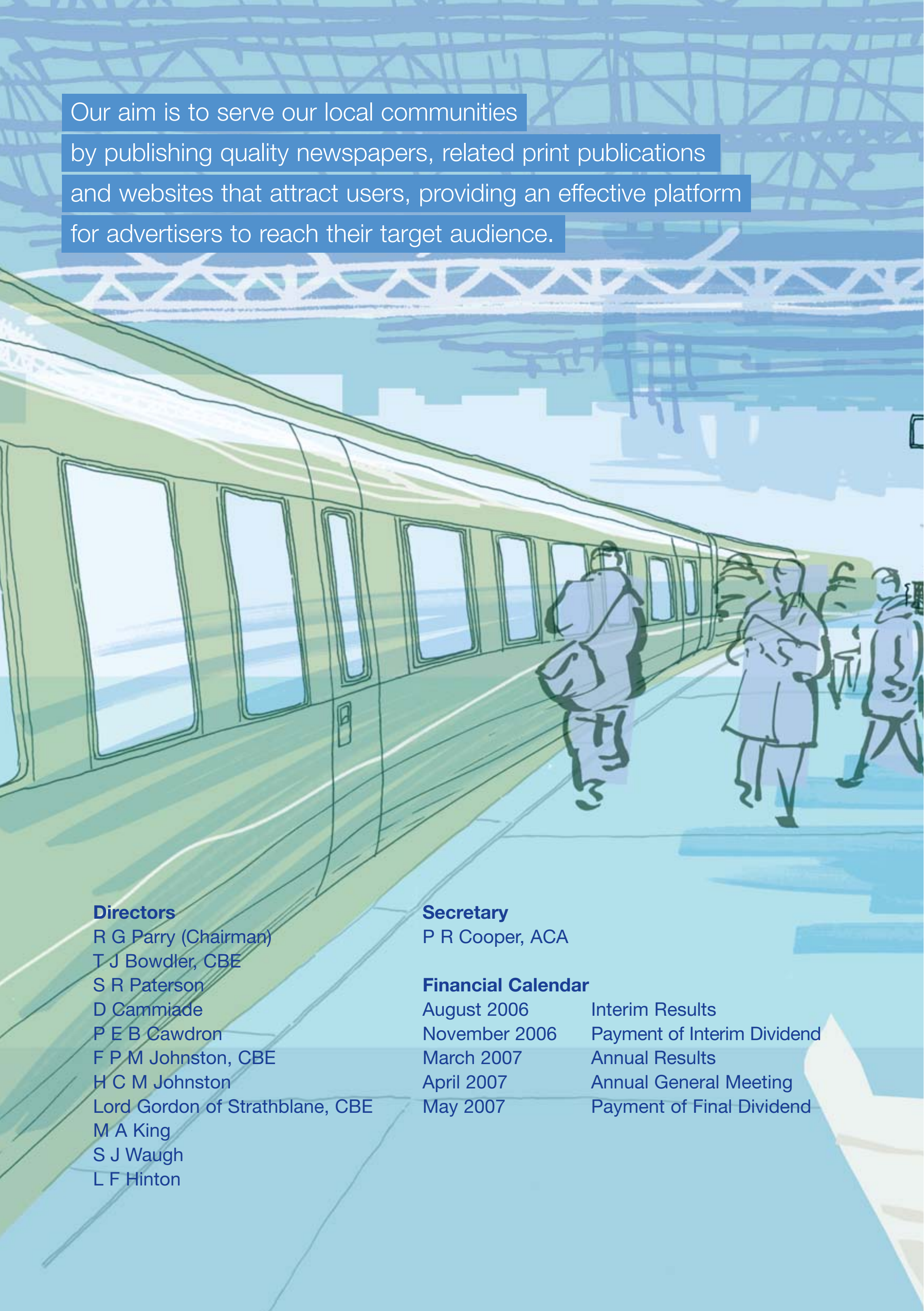
Johnston Press plc
Interim Report 2006

Johnston Press: Connecting local communities.

Our aim is to serve our local communities by publishing quality newspapers, related print publications and websites that attract users, providing an effective platform for advertisers to reach their target audience.



Directors

R G Parry (Chairman)
T J Bowdler, CBE
S R Paterson
D Cammiade
P E B Cawdron
F P M Johnston, CBE
H C M Johnston
Lord Gordon of Strathblane, CBE
M A King
S J Waugh
L F Hinton

Secretary

P R Cooper, ACA

Financial Calendar

August 2006	Interim Results
November 2006	Payment of Interim Dividend
March 2007	Annual Results
April 2007	Annual General Meeting
May 2007	Payment of Final Dividend


LIMERICK LEADER

Chief Executive's Half Year Statement

In the six months to 30 June 2006 Johnston Press increased operating profit before non-recurring items and associates by 7.8% to a record £101.6 million. Of this result, £16.1 million came from businesses acquired since July 2005 which together achieved an operating margin of 23.9% on the same basis. The period was characterised by a sustained downturn in advertising revenues and an increase in the cost of newsprint. Despite this, those businesses which operated throughout 2005 produced an operating margin of 35.0% as shown in the table on page 4, only marginally down on the record level achieved in the previous year. The outcome reflects continued progress on containing costs and improving operating efficiencies coupled with ongoing organic revenue growth initiatives both in print and in our digital publishing activities.

With recent acquisitions being funded entirely from new debt facilities and the continuing investment programme in the major printing press projects at Dinnington near Sheffield and in Portsmouth, net debt at 30 June 2006 stood at £770 million. This represents a reduction of £30 million from peak borrowings earlier in the year. Reflecting the increase in average net debt levels, finance costs rose to £20.0 million for the six months, up 83% on the same period last year. This amount included a pension credit of £1.5 million relating to IAS19. Interest cover was 4.6 times in 2006 excluding the pension credit.

Non-recurring items in the period were £2.2 million. These were costs related to the integration of our recent acquisitions of £2.0 million and restructuring costs in the existing businesses of £1.7 million, offset by a gain on the disposal of freehold premises in Aylesbury amounting to £1.5 million. It is expected that there will be further costs associated with the integration of our recent acquisitions in the second half.

Profit before tax was £79.8 million, a reduction of £2.4 million from the record level attained in the first half of 2005.

Underlying earnings per share, excluding non-recurring items, as shown in note 7, fell marginally from 20.57p to 20.39p, a reduction of 0.9%. The interim ordinary dividend payable on 3 November 2006 will be 3.1p, an increase of 10.7%.

Acquisitions

The only acquisition in the period was of The Scotsman Publications Limited (TSPL) for £160 million which completed on 4 January 2006. Details of the acquisition, with its flagship Scotsman title and Scotsman.com website, were covered in my review of the year ended 31 December 2005.

The primary management focus to date this year has been on the integration of TSPL and of those acquisitions made during the second half of 2005. Good progress has been made and each of the acquired businesses achieved earnings enhancing performance by the end of the period with additional operating profit before non-recurring items exceeding the additional interest cost. In all cases, a new management structure is in place and performing well. Real progress has been made with the introduction of new IT systems which conform to Johnston Press standard practices. Benefits of increased scale have been captured and good progress is being made in respect of opportunities for the rationalisation of back-room activities. New revenue opportunities have been identified and necessary organisational changes are being addressed.

References in this Report to like-for-like comparisons exclude the acquisitions in the second half of 2005 and in the first half of 2006 from the 2006 figures. This allows a true comparison of the titles held in the 26 weeks to June 2006 that were also owned by the Group in the corresponding period in 2005.

Trading Review

On a like-for-like basis, total print-based advertising revenues for the six months fell by 9.2%. Digital advertising revenues increased by 13.4% reducing the overall deficit to 8.8%. In print, property advertising was the only category to exhibit growth, continuing its strong performance from the previous year. Of the remaining categories, employment advertising experienced the greatest reduction, reflecting a tighter employment market and efforts by public and private sector employers to rein back costs. Motors advertising was also very weak as a result of continuing dealer consolidation and reduced new car sales. The reduction in display advertising reflected falling consumer confidence and difficult trading in parts of the retail sector.

General trading conditions did not show any sign of improvement through the period and we do not anticipate any early recovery in advertising revenues.

Newspaper sales grew by 1.9% for the six months on a like-for-like basis with cover price increases more than offsetting circulation declines. Weekly newspaper sales fared better than our daily titles but both experienced declines at a very similar rate to their 2005 performance. Whilst management remains focussed on actions to address circulation declines, equal effort is being placed on new product launches to layer our markets more effectively such that, when combined with our rapidly growing digital platforms, we deliver an increased total audience resulting in improved advertiser reach and response.

Examples of new products launched in the first half include more than 30 community newsletters. These are targeted at new advertisers and are published for small rural communities or selected suburbs of larger cities. We also launched a number of niche publications with lifestyle themes within the varied communities we serve.

In order to provide a like-for-like summary of the results in the first half of 2006 compared with 2005, the table on page 4 analyses the turnover and operating profit in 2006 between the acquisition in 2006, the acquisitions in 2005 and the businesses that were in place throughout the first half of 2005.

On a like-for-like basis the table shows very clearly how we have been able to mitigate the £20 million loss in revenue by £11 million in cost savings despite facing a 7% increase in newsprint costs and other inflationary increases.

	26 weeks to 30 June 2006				
	TOTAL 2006 £'m	Acquisition in 2006 £'m	Acquisitions in 2005 £'m	Like-for like 2006 £'m	TOTAL 2005 £'m
Advertising revenues	227.0	22.0	22.7	182.3	200.8
Digital	5.4	0.5	0.1	4.8	4.2
	232.4	22.5	22.8	187.1	205.0
Newspaper Sales	51.6	7.4	8.6	35.6	35.0
Contract printing	12.9	0.0	4.0	8.9	9.4
Other revenues	15.3	1.5	0.7	13.1	15.2
Total revenues	312.2	31.4	36.1	244.7	264.6
Costs	210.6	26.1	25.3	159.2	170.3
Operating profit *	101.6	5.3	10.8	85.5	94.3
Operating margin *	32.6%	16.9%	29.9%	35.0%	35.6%

* pre non-recurring items and associates

Digital Publishing

We continue to make good progress with the development of our digital publishing activities, with double digit revenue growth and rapidly increasing page impressions and unique users up on a like-for-like basis by 52% and 65% respectively. Our three main Today branded classified sites covering Jobs, Property and Motors have been substantially upgraded and re-launched. Customer and user reaction has been very positive. Our added value on-line services and in particular CV matching and Local Pages, a web-based directory, continue to exhibit strong revenue growth as a result of increasing usage.

In June, we gave a detailed presentation to major investors and analysts to provide a better understanding of our digital publishing activities. The presentation can be viewed on our corporate website at www.johnstonpress.co.uk. A centrepiece of the presentation was an illustration of the "Newsroom of the Future" project which we are developing in Preston. This project has resulted in a re-structuring of the newsroom with the appointment of digitally experienced journalists and related staff and a major re-training programme. News is now being gathered for simultaneous dissemination across a variety of print and digital platforms and includes the use of self generated audio visual content. Unique users and page impressions have grown strongly during the project.

Capital Investment

The major capital investment programmes at Dinnington near Sheffield and in Portsmouth for the provision of state-of-the-art high volume printing facilities continue to plan and with total projected expenditure remaining under budget at marginally in excess of £100 million.

The new press at Dinnington has been commissioned and is now printing the daily Sheffield Star on a continuous basis. Performance and print quality are both excellent. This investment has allowed us to announce plans to close old presses in Hartlepool, Sheffield and Wakefield, in addition to the closures already completed at Halifax and Scarborough. We have also announced the proposed re-organisation of our printing activities in Northern Ireland with the closure of the presses in Belfast and at the Derry Journal. The Portsmouth project is expected to be completed in the third quarter of 2007 and the building work is now substantially completed.

Organisation

In April 2006 Alex Green was appointed Director of Digital Publishing. Alex has spent 12 years growing businesses in converging areas of media and technology, including senior roles at News International and the Virgin Group.

The only other senior management changes included the internal appointment of Roger Davies as Group Head of IT, replacing Graham Gould on his retirement. Graham held a number of senior roles since he joined the Group in 1987 and has been a key contributor to the success of Johnston Press. His retirement coincided with that of Stuart McPherson who also played a leading role in the Group over many years, latterly as Managing Director of our Scottish Division.

Outlook

The second half has started as the first half finished with no discernible improvement in advertising revenues. Our assessment of the underlying market conditions does not suggest any early recovery in revenue performance. The Group continues to maintain a tight control of costs and will benefit from the first full year contributions from the acquisitions made over the past 12 months.

With the steps we have taken in managing our cost structure and the clear strategy in serving local communities, we consider the Group to be well positioned for any recovery in the advertising cycle.

Tim Bowdler

Tim Bowdler
Chief Executive Officer
30 August 2006

Independent Review Report to Johnston Press plc
26 Weeks to 30 June 2006

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises the group income statement, group balance sheet, group cash flow statement, group statement of recognised income and expense, group reconciliation of shareholders' equity and related notes 1 to 15. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
Edinburgh, United Kingdom
30 August 2006

Group Income Statement (unaudited)
26 Weeks to 30 June 2006

	Notes	26 Weeks to 30.6.06 £'000	26 Weeks to 30.6.05 £'000	52 Weeks to 31.12.05 £'000
Revenue	3a	**312,245**	264,579	520,154
Operating profit		**99,428**	93,031	177,677
Comprising:				
Operating profit before non-recurring items and associates	3b	**101,639**	94,260	180,210
Non-recurring items	4	**(2,237)**	(1,273)	(2,614)
Share of results of associates		**26**	44	81
Operating profit	3c	**99,428**	93,031	177,677
Investment income	8	**405**	155	371
Finance costs	9	**(20,049)**	(10,968)	(26,685)
Profit before tax		**79,784**	82,218	151,363
Tax	5	**(22,640)**	(24,167)	(43,572)
Profit for the period		**57,144**	58,051	107,791
		Pence	Pence	Pence
Earnings per share	7			
Underlying earnings per share		**20.39**	20.57	38.62
Non-recurring items		**(0.56)**	(0.31)	(1.04)
Earnings per share – basic		**19.83**	20.26	37.58
Earnings per share – diluted		**19.75**	20.10	37.34

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

Group Balance Sheet (unaudited)

At 30 June 2006

	30.6.06 £'000	30.6.05 £'000 Restated (note 13)	31.12.05 £'000
Non-current assets			
Goodwill	**130,351**	107	101,635
Other intangible assets	**1,356,833**	927,914	1,213,186
Property, plant and equipment	**258,902**	162,299	222,178
Available-for-sale investments	**2,712**	2,712	2,712
Interests in associates	**44**	48	48
Trade and other receivables	**436**	50	893
	1,749,278	1,093,130	1,540,652
Current assets			
Inventories	**3,973**	2,699	4,861
Trade and other receivables	**93,217**	73,308	70,204
Cash and cash equivalents	**24,991**	21,871	25,114
	122,181	97,878	100,179
Total assets	**1,871,459**	1,191,008	1,640,831
Current liabilities			
Trade and other payables	**71,020**	58,184	73,351
Tax liabilities	**21,472**	28,158	16,854
Obligations under finance leases	**29**	16	60
Retirement benefit obligation	**4,350**	—	4,350
Bank overdrafts and loans	**8,799**	86,533	47,604
Derivative instruments	**598**	—	—
	106,268	172,891	142,219
Non-current liabilities			
Borrowings	**786,547**	246,153	594,776
Obligations under finance leases	**5**	8	12
Retirement benefit obligation	**54,455**	55,586	50,839
Derivative instruments	**8,512**	11,151	9,234
Deferred tax liabilities	**386,767**	270,526	361,908
Trade and other payables	**2,370**	2,693	2,821
Long term provisions	**2,455**	1,668	2,507
	1,241,111	587,785	1,022,097
Total liabilities	**1,347,379**	760,676	1,164,316
Net assets	**524,080**	430,332	476,515

	30.6.06	30.6.05	31.12.05
	£'000	£'000	£'000
		Restated (note 13)	
Equity			
Share capital	**29,852**	29,688	29,772
Share premium account	**330,018**	325,176	327,437
Share-based payments reserve	**3,464**	1,980	2,770
Revaluation reserves	**2,555**	2,801	2,587
Own shares	**(509)**	(1,057)	(749)
Hedging and translation reserve	**(6,303)**	(11,151)	(9,277)
Retained earnings	**165,003**	82,895	123,975
Total equity	**524,080**	430,332	476,515

Group Cash Flow Statement (unaudited)
26 Weeks to 30 June 2006

	Notes	26 Weeks to 30.6.06 £'000	26 Weeks to 30.6.05 £'000	52 Weeks to 31.12.05 £'000
Cash flows from operating activities				
Cash generated from operations	11	**88,196**	76,544	182,055
Income tax paid		**(16,415)**	(20,975)	(44,564)
Net cash from operating activities		**71,781**	55,569	137,491
Investing activities				
Interest received		**405**	155	371
Dividends received from associated undertakings		**30**	54	91
Proceeds on disposal of property, plant and equipment		**3,077**	517	2,221
Proceeds on disposal of available-for-sale investments		—	28	28
Purchases of property, plant and equipment		**(32,391)**	(15,563)	(63,642)
Acquisition of businesses		**(165,818)**	(357)	(308,356)
Net cash in businesses acquired		**5,225**	—	9,931
Net cash used in investing activities		**(189,472)**	(15,166)	(359,356)
Financing activities				
Dividends paid		**(16,148)**	(13,755)	(21,826)
Interest paid		**(21,699)**	(9,667)	(23,955)
Interest paid on finance leases		**(14)**	(9)	(15)
Repayments of borrowings		**(38,352)**	(11,124)	(157,679)
New borrowings		**194,761**	—	443,604
Arrangement fees on new borrowings		**(548)**	—	(1,505)
Principal payments under finance leases		**(38)**	(15)	(16)
Issue of shares		**2,661**	1,556	3,901
Purchase of own shares		**—**	(567)	(567)
(Decrease)/increase in bank overdrafts		**(3,055)**	4,930	(5,082)
Net cash used in/(received from) financing activities		**117,568**	(28,651)	236,860
Net (decrease)/increase in cash and cash equivalents		**(123)**	11,752	14,995
Cash and cash equivalents at the beginning of period		**25,114**	10,119	10,119
Cash and cash equivalents at the end of period		**24,991**	21,871	25,114

Group Statement of Recognised Income and Expense (unaudited)

26 Weeks to 30 June 2006

	Share Capital £'000	Share Premium £'000	Share-based Payments Reserve £'000	Revaluation Reserve £'000	Own Shares £'000	Hedging and Translation Reserve £'000	Retained Earnings £'000	Total £'000
Profit for the period	—	—	—	—	—	—	57,144	57,144
Revaluation adjustment	—	—	—	(32)	—	—	32	—
Exchange differences on translation of foreign operations	—	—	—	—	—	117	—	117
Change in fair value of financial instruments (note 10)	—	—	—	—	—	124	—	124
Deferred taxation	—	—	—	—	—	2,733	—	2,733
Total recognised income and expense	—	—	—	(32)	—	2,974	57,176	60,118

Group Reconciliation of Shareholders' Equity (unaudited)

26 Weeks to 30 June 2006

	Share Capital £'000	Share Premium £'000	Share-based Payments Reserve £'000	Revaluation Reserve £'000	Own Shares £'000	Hedging and Translation Reserve £'000	Retained Earnings £'000	Total £'000
Opening balances	29,772	327,437	2,770	2,587	(749)	(9,277)	123,975	476,515
Total recognised income and expense	—	—	—	(32)	—	2,974	57,176	60,118
Recognised directly in equity								
Dividends - note 6	—	—	—	—	—	—	(16,148)	(16,148)
New share capital subscribed	80	2,581	—	—	—	—	—	2,661
Own shares written off	—	—	—	—	240	—	—	240
Provision for share-based payments	—	—	694	—	—	—	—	694
Net change directly in equity	80	2,581	694	—	240	—	(16,148)	(12,553)
Total movements	80	2,581	694	(32)	240	2,974	41,028	47,565
Equity at the end of the period	29,852	330,018	3,464	2,555	(509)	(6,303)	165,003	524,080

Notes to the Interim Financial Information
(unaudited)

1. Basis of Preparation

The financial information for the 26 weeks to 30 June 2006 does not constitute statutory accounts for the purposes of Section 240 of the Companies Act 1985 and has not been audited. No statutory accounts for the period have been delivered to the Registrar of Companies.

The financial information in respect of the 52 weeks ended 31 December 2005 has been produced using extracts from the statutory accounts for this period. Consequently, this does not constitute the statutory information for the 52 weeks ended 31 December 2005 which was audited. The statutory accounts for this period have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under Sections 237 (2) or (3) of the Companies Act 1985.

The next annual financial statements of the Group to 31 December 2006 will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU ("IFRS"). This Interim Report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules.

The auditors have reviewed this Interim Report and their report is set out on page 6.

The Interim Report was approved by the directors on 30 August and is being sent to shareholders on the same date. It is also available on the Company's website at www.johnstonpress.co.uk.

The interim financial information has been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments.

2. Accounting Policies

The accounting policies used in the preparation of the financial information for the 26 weeks to 30 June 2006 have been consistently applied to all the periods presented and are set out in full in the Group's financial statements for the 52 weeks to 31 December 2005. A copy of these financial statements is available from the Company's registered office at 53 Manor Place, Edinburgh EH3 7EG.

3. Business Segments

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

The business operates in two geographical segments which are the United Kingdom and the Republic of Ireland. Revenue and the carrying value of assets in the Republic of Ireland are less than 10 per cent of the Group total in the current period and so have not been disclosed separately.

a) Revenue

An analysis of the Group's revenue is as follows:

	26 Weeks to 30.06.06			26 Weeks to 30.06.05	52 Weeks to 31.12.05
	Existing £'000	Acquisitions £'000	Total £'000	Existing £'000	Existing £'000
Newspaper publishing	267,984	31,365	299,349	255,656	499,041
Contract printing	12,896	—	12,896	8,923	21,113
Revenue sub total	280,880	31,365	312,245	264,579	520,154
Investment Income	405	—	405	155	371
Total revenue	281,285	31,365	312,650	264,734	520,525

The printing revenues excludes inter group revenue of £35.4 million in the 26 weeks to 30 June 2006, £31.6 million in the 26 weeks to 30 June 2005 and £60.0 million in the 52 weeks to 31 December 2005.

b) Operating profit before non-recurring items and associates

An analysis is as follows:

	26 Weeks to 30.06.06			26 Weeks to 30.06.05	52 Weeks to 31.12.05
	Existing £'000	Acquisitions £'000	Total £'000	Existing £'000	Existing £'000
Newspaper publishing	93,051	5,304	98,355	92,008	175,809
Contract printing	3,284	—	3,284	2,252	4,401
	96,335	5,304	101,639	94,260	180,210

3. Business Segments (continued)

c) Operating profit

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

	26 Weeks to 30.06.06			26 Weeks to 30.06.05	52 Weeks to 31.12.05
	Existing £'000	Acquisitions £'000	Total £'000	Existing £'000	Existing £'000
Newspaper publishing	92,646	3,761	96,407	90,735	173,195
Contract printing	2,995	—	2,995	2,252	4,401
	95,641	3,761	99,402	92,987	177,596
Share of results of associates	26	—	26	44	81
Operating profit	95,667	3,761	99,428	93,031	177,677

4. Non-Recurring Items

	26 Weeks to 30.6.06 £'000	26 Weeks to 30.6.05 £'000	52 Weeks to 31.12.05 £'000
Restructuring costs of			
Existing businesses	**1,682**	1,273	2,925
Newly acquired businesses	**2,029**	—	591
Profit on sale of freehold land and buildings	**(1,474)**	—	(902)
Non-recurring items	**2,237**	1,273	2,614

5. Tax

	26 Weeks to 30.6.06 £'000	26 Weeks to 30.6.05 £'000	52 Weeks to 31.12.05 £'000
Corporation tax	**21,124**	24,319	36,806
Deferred tax	**1,516**	(152)	6,766
Total tax charge	**22,640**	24,167	43,572
Reconciliation of tax charge			
Standard rate of corporation tax	**30%**	30%	30%
Profit before tax at standard corporation tax rate	**23,935**	24,665	45,409
Tax effect of items that are not deductible or not taxable in determining taxable profit	**100**	120	102
Tax effect of share of results of associate	**(11)**	(13)	(24)
Effect of different tax rates on subsidiaries	**(1,086)**	—	(1,004)
Other items	**(314)**	(605)	(32)
Prior year adjustment	**16**	—	(879)
Total tax charge	**22,640**	24,167	43,572

Corporation tax for the interim period is charged at 28.4% (2005: 29.4%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

6. Dividends

	26 Weeks to 30.6.06 £'000	26 Weeks to 30.6.05 £'000	52 Weeks to 31.12.05 £'000
Amounts recognised as distributions in the period:			
Dividends paid			
Ordinary	**16,072**	13,679	21,674
Preference	**76**	76	152
	16,148	13,755	21,826

	Pence	Pence	Pence
Dividend paid per share			
Ordinary	**5.600**	4.800	7.600
Preference	**6.875**	6.875	13.750

	£'000	£'000	£'000
Dividend proposed but not paid or included in the accounting records	**8,911**	8,003	16,053

	Pence	Pence	Pence
Dividend proposed per share	**3.1**	2.8	5.6

The interim ordinary dividend of 3.1p per share (2005: 2.8p) is payable on 3 November 2006 to shareholders on the register at close of business on 13 October 2006.

7. Earnings Per Share

	26 Weeks to 30.6.06 £'000	26 Weeks to 30.6.05 £'000	52 Weeks to 31.12.05 £'000
Profit after tax for basic EPS earnings	**57,144**	58,051	107,791
Non-recurring items (after tax) – see notes 4 and 9	**1,600**	891	2,997
Underlying EPS earnings	**58,744**	58,942	110,788
Number of Shares	**000's**	000's	000's
Weighted number of ordinary shares for the purpose of basic EPS	**287,057**	285,405	285,763
Weighted number of preference shares for basic EPS calculation	**1,106**	1,106	1,106
Number of shares – basic earnings per share	**288,163**	286,511	286,869
Effect of dilutive potential ordinary shares – share options	**1,166**	2,282	1,826
Number of shares – diluted earnings per share	**289,329**	288,793	288,695
	Pence	Pence	Pence
Earnings per share			
Underlying earnings per share	**20.39**	20.57	38.62
Non-recurring items	**(0.56)**	(0.31)	(1.04)
Earnings per share – basic	**19.83**	20.26	37.58
Earnings per share – diluted	**19.75**	20.10	37.34

8. Investment Income

	26 Weeks to 30.6.06 £'000	26 Weeks to 30.6.05 £'000	52 Weeks to 31.12.05 £'000
Interest on bank deposits	78	49	106
Income from available-for-sale investments	327	106	265
	405	155	371

9. Finance Costs

	26 Weeks to 30.6.06 £'000	26 Weeks to 30.6.05 £'000	52 Weeks to 31.12.05 £'000
Interest on pension liabilities	7,350	8,267	16,505
Expected return on pension assets	(8,822)	(8,375)	(17,026)
	(1,472)	(108)	(521)
Interest on bank overdrafts and loans	21,347	10,389	24,553
Interest on obligations under finance leases	14	9	17
Amortisation of term debt issue costs	160	678	968
	20,049	10,968	25,017
Non-recurring write-off term debt issue costs on bank facility repaid	—	—	1,668
Total finance costs	20,049	10,968	26,685

10. Derivative Financial Instruments

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

The fair value of the Group's financial instruments is as follows:

	26 Weeks to 30.6.06 £'000 Liabilities
Cross-currency and other interest rate swaps	
Closing balance at 31 December 2005	**9,234**
Movement in fair value during the period including exchange movements	**(124)**
Closing balance at 30 June 2006	**9,110**
Current	**598**
Non-current	**8,512**

11. Notes to the Cash Flow Statement

	26 Weeks to 30.6.06 £'000	26 Weeks to 30.6.05 £'000	52 Weeks to 31.12.05 £'000
Operating profit	**99,428**	93,031	177,677
Adjustment for:			
Non-recurring items	**—**	(160)	—
Depreciation of property, plant and equipment	**10,011**	10,792	19,923
Share of result of associate	**(26)**	(44)	(81)
Cost of LTIP benefits	**240**	305	613
(Profit)/loss on disposal of property, plant and equipment	**(1,583)**	103	(891)
Currency differences	**94**	—	41
IAS 19 pension funding	**(944)**	(15,000)	(16,566)
Decrease in inventories	**1,652**	1,718	371
(Increase)/decrease in receivables	**(16,735)**	(13,197)	3,890
Decrease in payables	**(3,941)**	(1,004)	(2,922)
Cash generated from operations	**88,196**	76,544	182,055

12. Net Debt

Net debt	1.1.06 £'000	Cash Flow £'000	Non-cash Changes £'000	**30.6.06 £'000**
Debts due after one year				
Bank loans	(443,604)	(111,718)	–	**(555,322)**
Loan notes	(19,459)	2,709	–	**(16,750)**
Senior notes	(132,785)	(83,043)	–	**(215,828)**
Finance leases	(12)	7	–	**(5)**
Term debt issue costs	1,072	441	(160)	**1,353**
	(594,788)	(191,604)	(160)	**(786,552)**
Debts due within one year				
Bank overdraft	(6,591)	3,055	–	**(3,536)**
Loan notes	(41,302)	35,643	–	**(5,659)**
Finance leases	(60)	31	–	**(29)**
Term debt issue costs	289	107	–	**396**
	(47,664)	38,836	–	**(8,828)**
Cash and cash equivalents	25,114	(123)	–	**24,991**
Net debt	(617,338)	(152,891)	(160)	**(770,389)**

The analysis of net debt is as follows:

	30.6.06 £'000	30.6.05 £'000	31.12.05 £'000
Cash and cash equivalents	**24,991**	21,871	25,114
Bank overdrafts	**(3,536)**	(16,603)	(6,591)
Net cash balances	**21,455**	5,268	18,523
Debt due within one year	**(5,263)**	(69,930)	(41,013)
Debt due after one year	**(786,547)**	(246,153)	(594,776)
Finance leases	**(34)**	(24)	(72)
Bank loans, bank notes and finance leases	**(791,844)**	(316,107)	(635,861)
Net debt	**(770,389)**	(310,839)	(617,338)

13. Share-Based Payments

The Group issues share-based benefits to employees. These share-based payments have been measured at their fair value at the date of grant and the fair value of expected shares is being expensed to the Income Statement on a straight-line basis over the vesting period. Fair value has been measured using the Black Scholes model and adjusted to reflect the most likely share vesting and exercise pattern. The impact on the accounting periods has been:

	30.6.06	30.6.05	31.12.05
	£'000	£'000	£'000
Included in operating expenses	**694**	506	1,296
Deferred taxation	**(208)**	(152)	(389)

The cumulative provision for share-based payments of £3,464,000 (2005: £1,980,000) is shown as a reserve on the balance sheet. The original financial statements to 30 June 2005 included the provision for share-based payments of £1,980,000 in long-term provisions but this has been adjusted in the comparatives within this Report to reflect the correct treatment.

14. Acquisition

On 4 January 2006, the Group acquired 100 per cent of the issued share capital of The Scotsman Publications Ltd for a cash consideration of £95,704,000, a company involved in newspaper publishing. This transaction has been accounted for by the purchase method of accounting.

The net assets acquired, and the goodwill arising, are as follows:

	Book Value £'000	Fair value Adjustments £'000	Fair Value £'000
Goodwill	—	43,094	43,094
Other intangible assets	97,219	46,428	143,647
Other non-current assets	23,166	(2,763)	20,403
Current assets	11,918	(19)	11,899
Current liabilities	(6,349)	(189)	(6,538)
Pension liability	(6,032)	—	(6,032)
Deferred taxation	1,810	(42,265)	(40,455)
Loan to parent company	(26,340)	—	(26,340)
Bank loan	(43,000)	—	(43,000)
	52,392	44,286	
Total consideration			96,678
Satisfied by:			
Cash			95,704
Directly attributable costs			974
			96,678
Net cash flows arising on consolidation			
Cash consideration			96,478
Net debt settled at acquisition			69,340
			165,818
Cash and cash equivalents acquired			(5,225)
Net cash flow arising on completion			160,593

14. Acquisition (continued)

The resultant impact of this acquisition on goodwill and other intangible assets is as follows:

	Goodwill £'000	Publishing Titles £'000
Cost		
At 1 January 2006	101,635	1,213,186
Acquisition	43,094	143,647
Adjustment - see note below	(14,378)	—
At 30 June 2006	130,351	1,356,833
Accumulated impairment losses		
At 1 January 2006 and 30 June 2006	—	—
Carrying amount		
At 30 June 2006	130,351	1,356,833
At 31 December 2005	101,635	1,213,186

The adjustment relates to an amendment to the provisional fair value accounting of the overseas publishing titles acquired in 2005. Deferred taxation was provided at the UK rate of 30% until the split of the value of the publishing titles acquired was finalised. This has been completed in 2006 and the adjustment reflects the impact of the reduced rate of taxation on the value of the titles acquired in the Republic of Ireland in line with IAS 12.

15. Pension obligation

The valuation of the Group's pension scheme is updated at the end of each accounting year and at the half year if circumstances warrant or there has been a material change in the basic assumptions. The assumptions used and full details of the valuation at 31 December 2005 are outlined in the financial statements to that date.

Following the acquisition of The Scotsman Publications Ltd on 4 January 2006 the Group now has a second pension scheme, The Scotsman Publications Pension Plan (SPPP). The Group is looking to merge this into the Johnston Press Pension Plan (JPPP) before the end of 2006.

Although there is no movement in the current retirement pension obligation of £4.35 million, the movement in the non-current liability retirement pension obligation is as follows:

	JPPP £'000	SPPP £'000	Total £'000
Obligation at 31 December 2005	50,839	—	50,839
Acquisition	—	6,032	6,032
Funding to the pension scheme in addition to the current service cost (note 11)	(737)	(207)	(944)
Net finance credit (note 9)	(1,472)	—	(1,472)
	48,630	5,825	54,455

Divisional Structure

Newspaper Publishing

Johnston Newspapers (Scotland)
The Scotsman Publications Ltd
Johnston (Falkirk) Ltd
Strachan & Livingston Ltd
The Tweeddale Press Group Ltd
Angus County Press Ltd
Stornaway Gazette Ltd

Johnston Newspapers (North)
Yorkshire Post Newspapers Ltd
Northeast Press Ltd
Ackrill Newspapers Ltd
The Halifax Courier Ltd
Yorkshire Weekly Newspaper Group Ltd
Yorkshire Regional Newspapers Ltd
Sheffield Newspapers Ltd
Wilfred Edmunds Ltd
North Notts Newspapers Ltd
South Yorkshire Newspapers Ltd

Johnston Newspapers (Northwest)
Lancashire Evening Post Ltd
Lancashire Publications Ltd
Blackpool Gazette & Herald Ltd
Lancaster & Morecambe Newspapers Ltd
East Lancashire Newspapers Ltd
Off-Road Publications
Best Asian Media Ltd
Isle of Man Newspapers Ltd

Johnston Newspapers (Midlands)
Northamptonshire Newspapers Ltd
East Midlands Newspapers Ltd
Lincolnshire Newspapers
Anglia Newspapers Ltd
Premier Newspapers Ltd
Central Counties Newspapers Ltd

Johnston Newspapers (South)
Portsmouth Publishing & Printing Ltd
TR Beckett Ltd
Sussex Newspapers Ltd
Outbound Newspapers
Days Out UK

Johnston Newspapers (Northern Ireland)
Morton Newspapers Ltd
Century Newspapers Ltd
Derry Journal Ltd
Donegal Democrat Ltd

Johnston Newspapers (Republic of Ireland)
Kilkenny People Publishing Ltd
Leitrim Observer Ltd
Longford Leader Ltd
Leinster Leader Ltd
Leinster Express Newspapers Ltd
Limerick Leader Ltd
Leader Print Ltd
The Dundalk Democrat Ltd
Tallaght Publishing Ltd

Web Printing

Peterboro' Web Ltd
Northampton Web Ltd
Hartlepool Web
Sunderland Web
Portsmouth Web
Leeds Web
Sheffield Web
Wakefield Web
Morton Web
Dinnington Web

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This report is printed on Revive which contains a minimum of 75% post consumer waste
and is produced to ISO 14001 accreditation

Designed and produced by corporate**prm**, Edinburgh and London. www.corporateprm.co.uk

Johnston Press plc

53 Manor Place
Edinburgh EH3 7EG

Tel: 0131 - 225 3361
Fax: 0131 - 225 4580
e-mail: enquiries@johnstonpress.co.uk
Web Site: http://www.johnstonpress.co.uk

Registration number 15382