For Immediate Release **16 March 2005**

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

Johnston Press plc, one of the UK's leading regional newspaper publishers, is pleased to announce record results for the year ended 31 December 2004.

KEY FINANCIALS

	2004	2003	% Change
	£m	£m	
Turnover	**518.8**	491.8	+5
Operating profit	**177.2**	160.6	+10
Profit before tax	**150.6**	128.0	+18
Operating cash flow	**192.7**	167.6	+15
Earnings per share	**Pence**	Pence	
- headline	**37.96**	32.36	+17
- basic	**37.60**	31.57	+19
Dividend per share			
- final	**4.80**	4.00	+20
- total	**7.20**	6.00	+20

HIGHLIGHTS

- Like-for-like advertising revenue growth better than expected at 5.5% - see financial review for definition (growth in the first half of 6.0% and 5.0% in the second half).
- Operating margins pre-exceptional items increased from 33.1% to 34.3%.
- Profit before tax up 17.7%.
- Interest cover increased to 6.8 times.
- Commencement of project to build a new £60m print facility in Sheffield.
- 15 year contract to print News International titles.
- Continued investment in IT to drive business efficiency.

PROSPECTS

Chairman, Roger Parry said:

"Despite the strength of trading in 2004 making for tough comparisons, like-for-like advertising in the first two months grew by 2.6%. Looking forward the Board expects to see another year of growth in advertising and other revenue streams. We will also continue to invest heavily in editorial resources, printing, distribution and online technology. These factors, coupled with the tight management of costs, further efficiency gains and actions to offset the increase in newsprint prices, should lead to another year of satisfactory progress for the Group in 2005."

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CHAIRMAN'S STATEMENT

2004 was a year of organic growth and continued progress for Johnston Press. The Group achieved record results in terms of sales, margins, profits, earnings per share, dividends and cash generation. The continuing success of Johnston Press stems from a single-minded focus on providing local communities with news, information and entertainment. The staff of Johnston Press have, once again, shown themselves to be amongst the best in the business and, on behalf of the Board and shareholders, I would like to congratulate them.

Results
Revenues grew in excess of 5% which was more than we had expected, in part reflecting the success of new products launched during the year. Tight cost control and some continuing efficiencies from past acquisitions drove margins and profits but the positive impact of recent investment in printing and IT systems also helped.

Operating profit for 2004 was £177.2 million, up 10%. Headline earnings per share were 37.96p, up 17%.

Dividend
The Board proposes a final dividend of 4.8p per share, making a total of 7.2p per share for the year compared to 6p per share last year. This is an increase of 20%.

Organic Growth
In recent years, Johnston Press has made a number of significant acquisitions. In 2004 we did not and all the growth has come from organic developments. Within our existing market areas, we have launched a number of new publications including free newspapers, advertising-only publications and lifestyle magazines. We have launched a number of locally focused websites, upgraded our online classified platforms and invested heavily in new colour printing capacity and IT systems. During the year, we announced our commitment to invest more than £60 million in a new print facility in Sheffield and, in February 2005, we announced a similar initiative costing more than £45 million at Portsmouth.

We have a clear focus on using investment to improve the economics of our existing business.

Progress
Johnston Press has been serving local communities for more than 150 years and for most of that time our medium has been printed paper. In the Group's early years this was simple text; later it was enhanced by black and white photography and, in recent years, by full colour presentations of text, photography and graphics. Increasingly, websites and mobile services are becoming an important part of our offering, both to advertisers and to readers.

Initially we took a very cautious approach to the internet boom, waiting to see exactly how the technology and human behaviour would develop. We now have a clear picture of what we believe is the right way forward for a Group which serves local communities.

We are developing a family of websites which have common technology and functionality but each of which is focused on the needs of its own local community. These websites enable us to provide a service of news, information and entertainment, which supplements our daily and weekly printed publications. In addition, we have invested significantly in the technology to offer targeted and effective classified advertising on the web.

We see web-based classified advertising as both a complement to, and an enhancement of, traditional print advertising. We believe that our development of two mutually supporting media will form a sustainable and robust business model for the future.

Strategy
Going forward, our strategy is to build on our strengths as a local publisher. Whilst we recognise that there are significant technology changes going on, particularly in the online area, we remain convinced that fundamental human behaviour and human needs are not going to change. As I have said in a number of previous annual reports, "life is local" and it is this reality that drives our strategic approach, both online and in print.

We believe it will be possible for us to participate in the anticipated further consolidation of the local publishing industry. Economists and competition experts are increasingly recognising that, in terms of advertising revenues, newspapers compete with a variety of media and that, so far as plurality of editorial voice is concerned, this can be achieved just as well, indeed, sometimes far better, under a small number of owners than it can under diverse, fragmented and under-resourced ownership conditions.

Accordingly, we are confident that we have significant sources of future growth, both through organic development of our existing franchises and the acquisition of new ones.

Board
I am delighted to be able to announce the appointment of Les Hinton as an independent non-executive Director. He has been in the newspaper industry for more than 40 years and, as Executive Chairman of News International, brings an extraordinary wealth of publishing experience to Johnston Press. It is also a great pleasure to announce the appointment of Danny Cammiade as an executive Director in the role of Chief Operating Officer. He has made a major contribution to the success of Johnston Press and plays a central role in continuing to drive the business forward.

The Board consists of five independent non-executives, two non-executives representing the Johnston family interest, three executives and myself. Lord Gordon, one of our independent non-executive directors, will have completed 9 years' service at this year's AGM, but the Board remains entirely satisfied that he is independent. Johnston Press remains fully compliant with all aspects of the Combined Code.

Prospects
Despite the strength of trading in 2004 making for tough comparisons, looking forward the Board expects to see another year of growth in advertising and other revenue streams. We will also continue to invest heavily in editorial resources, printing, distribution and online technology. These factors, coupled with the tight management of costs, further efficiency gains and actions to offset the increase in newsprint prices, should lead to another year of satisfactory progress for the Group in 2005.

ROGER PARRY
Chairman
16 March 2005

CHIEF EXECUTIVE OFFICER'S REVIEW

Johnston Press produced another record set of results in 2004, benefiting from our extensive portfolio of well recognised market leading brands across numerous local communities around the UK. The year has witnessed a growing focus throughout the Group on the achievement of stronger organic revenue growth coupled with continuing improvements in business efficiency through ongoing investments in IT systems. The results for the year ended 31 December 2004 demonstrate the effectiveness of a strategy which remains closely focused on our core business of local community publishing in the UK.

Strategic Overview

The concept of "Life is Local" continues to provide the underlying strategic logic for Johnston Press. Extensive research commissioned by the Newspaper Society, the industry's trade association, consistently illustrates the intensely local focus of people's lives covering a wide spectrum of activities including work, shopping, leisure and socialising. Our operations are closely shaped to reflect this important tendency, serving numerous local communities across the UK with a variety of print and online publications. In turn, our business substantially reflects the performance of a myriad of distinct and separate local economies. The resultant underpinning drivers which power our activities are consumer confidence, the property market and employment levels. With the ongoing satisfactory performance of the UK economy as a whole, these factors continue to provide a solid foundation for our business.

This has resulted in a high performing core business which is well placed to achieve further growth. It also provides an excellent platform from which to launch new initiatives whether these are in the form of new print publications, websites or related local ventures. An important such initiative at the end of 2004 has been the establishment of a new publishing division, known as JP Ventures, bringing together various non-local newspaper businesses including Outbound Publishing (emigration newspapers and overseas property magazines), Off Road Publications (Dirt Bike Rider and Trials & Motorcross News), Letterbox Direct (door-to-door leaflet delivery), and Days Out UK (leisure guide). It is anticipated that the resulting heightened focus on these businesses will drive further opportunities for growth. Already in late 2004, we completed the acquisition of Offer Pack, a small business which specialises in the design and door-to-door distribution of packaged special offer coupons to promote local retailers and services.

During the year, we have also launched a large number of new publications in pursuit of a strategy which is aimed at layering our local markets with a range of newspapers, specialist print publications and local websites. This strategy will ensure that we are in a position to offer advertisers an increasing variety of channels to promote their goods and services to local communities, improving targeting and maximising market penetration. Noteworthy during 2004 has been the launch of more than 20 lifestyle and specialist publications, the introduction of six regional editions of Jobs Today, a new weekly recruitment title branded to mirror our online jobs site and a similar initiative for regional property advertising.

The industry structure has remained substantially unchanged during the past 12 months, with the four largest publishers accounting for approximately 73% of total copies distributed or sold. Johnston Press remains fourth largest with about 15% market share. There has been relatively little corporate activity and few ownership changes, with Johnston Press making no newspaper acquisitions during the year. However, this should not be taken to suggest that continued industry consolidation is unlikely. We firmly believe that there will be more ownership changes in the future and that further industry consolidation will be permitted by the regulators, although the timing of such changes cannot be predicted.

The disposal of our 33% holding in Two Boroughs Radio in Burnley was completed during the year. Underlining our focused approach, this disposal completes our withdrawal from all the local radio activities which were acquired with Regional Independent Media Holdings Limited (RIM) in 2002.

The improved use of IT will continue to play a vital part in the ongoing enhancement of operating performance and we have invested heavily in IT systems and related hardware, in order to drive business efficiency and improve customer service. Hand-in-hand with these IT investments has been the continued development of our printing capability, especially with regard to the installation of additional revenue-earning colour capacity. Whilst our focus remains on the provision of appropriate print capacity for our own needs, we have entered into long-term 15-year contracts to print News International (NI) titles at our new Sheffield facility and, conditional upon planning consent, at

Portsmouth. The opportunity to secure such valuable contracts will benefit the Group financially and in terms of enhanced press capability.

The broad geographic spread of our local publishing activities, together with the sound structure of the Group which has been developed over many years by a combination of steady organic improvement and judicious acquisitive expansion, provide the Group with an excellent foundation from which to achieve continued growth.

Trading Performance

2004 was a 53-week financial year for Johnston Press and, in order to enable meaningful comparisons, the figures quoted in this section are on a like-for-like 52-week basis, as explained in the Financial Review.

Advertising revenue growth in 2004 was stronger than expected, ending the year at 5.5%, comprising 6.0% growth in the first half and 5.0% in the second. The performance in the latter part of the year was particularly pleasing as the corresponding period's comparatives were significantly stronger than earlier in the year. The outcome reflects the benefits of our broad spread of market leading publications across a widely dispersed geographic base.

With the sole exception of motors' advertising, the second half followed the pattern of the first in which every advertising category grew. This was achieved entirely as a result of volume growth, with yields remaining static, despite the benefit of additional premium-priced colour advertising and normal rate-card increases. This outcome reflects the launch of additional lower yielding recruitment and property publications using repurposed advertising content, together with the robust growth of property advertising, the lowest yielding category.

The rate of recruitment advertising growth was strong throughout, though lower in the second half at 6.6% compared with 13.3% in the first. This reflects the more challenging second half comparatives, but demonstrates a very satisfying underlying performance. In very broad terms, growth was stronger in the north of the country than in the south, although there were several exceptions to the general pattern.

Property advertising had another excellent year with first and second half growth rates of 4.7% and 15.2% respectively. The acceleration witnessed in the second half reflects the need for vendors to work harder in a slowing market place which also encouraged the house-builders to increase their advertising exposure. Growth was lower in the South and South Midlands regions than elsewhere.

After marginal growth of 0.4% in the first half, motors' advertising declined in the second by 3.0%. This remains our toughest market sector, adversely affected by continuing dealer consolidation and a number of initiatives are being pursued to improve performance. Revenues were patchy with no particular regional trends.

The Other Classifieds category grew well in both halves at rates of 3.3% and 5.6% respectively. This category comprises a variety of advertising sources, including entertainments, family announcements, public notices and general classifieds. Each of these segments grew with entertainments and family announcements being the strongest. There was no particular geographic pattern, although the south coast performed best.

The rate of growth for display advertising was 2.0% in the second half, following an increase of 3.4% in the first. The second half comparatives were more difficult due to the return of heavier supermarket advertising in the corresponding period last year following the conclusion of the Competition Commission inquiry into the acquisition of Safeway and a more general improvement following a lull in activity during the Iraqi conflict. There were no obvious regional trends.

In overall terms, total advertising revenue growth was generally stronger in the north of the country than in the south, with the best increases being achieved by the Northeast and North of England (Yorkshire) divisions. However, outside those two regions, there were no major variances.

Operating margins for the Group, before operating exceptional items, were again ahead of the previous year with an increase from 33.1% to 34.0% and every division increased its operating profit. This outcome again demonstrates the ability of Johnston Press to convert modest revenue growth into a much stronger profit performance and reflects excellent cost control, aided by ongoing investments in IT systems, with the additional benefit of stable newsprint prices.

Operating Review

Even greater emphasis is now being placed on the achievement of organic revenue growth. Advertising directors from around the Group meet regularly to review best practice and to discuss the development of new revenue generating ideas. This process has been reinforced by the recent appointment of an experienced senior executive to oversee these efforts. The Johnston Press intranet based ADS4U system, which provides an extensive database of advertising ideas and creative copy, is available to all of our advertising staff and is now being used extensively to generate additional revenues.

During the year, we have also launched an unprecedented number of new publications. Amongst these we have introduced 14 lifestyle publications. Being high quality glossy colour magazines, these have enabled us to attract advertisers who would not normally use our newspaper titles and, in turn, this has added value to the newspapers into which these magazines are inserted.

We have also launched a number of specialist publications aimed at specific market segments. Examples include two annual magazines launched in the Northwest targeted respectively at the youth fashion market and teenagers in the 16-18 age bracket. Following further launches, South Yorkshire Newspapers, based in Doncaster, now has 7 monthly free newspapers dedicated to small communities such as Rossington and Bawtry. This format almost literally brings local news to the parish-pump and also provides the smallest local advertisers with a viable platform. We are seeking to extend this initiative elsewhere around the Group. A new weekly free newspaper was launched in Milton Keynes to supplement the previous twice-weekly publishing portfolio in order to meet the demands of this rapidly growing city. In pursuit of significant revenue growth, we have almost trebled the pagination and distribution of our Lincoln-based free newspaper from its previous levels.

Another important development during 2004 was the launch of a number of classified advertising print publications across wider geographic regions than any one of our individual newspapers serve. Perhaps the most important of these have been the six regional recruitment titles “Jobs Today”, replicating our online jobs content and reinforcing our web-based recruitment brand. These titles extend the job advertisers’ reach and generate additional cover price revenues. A similar initiative in respect of our property advertising under the “Exclusive Homes” brand provides a platform for higher priced properties for sale in various of the regions in which we publish.

We are also working more closely than ever with Mediaforce, the independent national sales house which represents all Johnston Press titles with national and regional advertising agencies. Mediaforce have offices in London, Birmingham, Manchester and Edinburgh and have represented Johnston Press for a number of years. Together with Mediaforce, we are making more presentations to agencies and potential new advertisers in an effort to bring new business into our titles. Successes in 2004 included Procter & Gamble, Nestlé and Jet 2, one of several low-cost airlines now using the regional press. We also launched a series of focused Group-wide advertising supplements to attract new national business, the first of these being dedicated to Euro 2004.

Distinct from print publications, we have also achieved strong growth from a number of related local events and services. The delivery of leaflets door-to-door, often in conjunction with our own free newspapers, is an important and growing revenue source, accounting for £13.3 million in the year, representing a growth of 14%. In order to capitalise better on this opportunity, we are gradually switching the management of this activity from our local companies to Letterbox Direct, a dedicated leaflet delivery operation acquired as part of RIM. Revenues from local exhibitions, including such events as job fairs, motor shows and wedding fairs have increased by 4% and provide an opportunity for greater growth around the Group. Reader Holidays, which we package and promote through our newspapers, also grew by 4% and we have created several centres of excellence to service other companies around the Group where this growth opportunity has not as yet been maximised. Premium line services, primarily for dating purposes, grew at 5% and, in response to changing patterns of usage, we are developing an online service to complement the current print-based offer.

Hand-in-hand with our focus on achieving greater organic revenue growth are our efforts to maximise the considerable opportunities which are available through investment in IT systems and related hardware. The appointment of a Group Head of IT, following our acquisition of RIM in 2002, has brought much increased impetus and improved coordination to these efforts. It has resulted in much greater standardisation across the Group of the hardware and software we employ, which, in turn, has brought purchasing, operational and support benefits. Working closely with our preferred suppliers of advertising, editorial and sales ledger systems, we have continued a programme of replacing ageing and

disparate systems with common region-wide platforms. During the year, this has involved new installations in the majority of our regions. These installations have enabled us to consolidate a number of our backroom pre-press production operations with consequent cost savings. A new newspaper sales system was installed in the South of England division during the year and will form the basis of an extended common system across the entire Group which will be rolled out during the current year. To facilitate customer service, efficiency and the transfer of advertising content to our websites, we have introduced new software throughout the Group to deal with property advertising. In an increasing number of locations, this system is now being used by our estate agent customers to upload their entire property database which, in turn, has resulted in greater accuracy, later deadlines and increased online content. During the year, we also invested in a new payroll and HR system which will give greatly enhanced information to assist management around the Group. Major improvements are being made to our Group communications infrastructure, including the introduction of voice-over IP telephony.

The Group's approach to Health & Safety has been overhauled and upgraded during the year with the introduction of strengthened operating and reporting procedures. Although already at a good standard, this has resulted in a number of additional measures being taken to improve further the Group's performance in this critically important area. There were very few reportable accidents during the year with none involving serious injury.

During 2004, we celebrated several important milestones, perhaps most notably the 250th anniversary of the Yorkshire Post. Other important celebrations included the 150th anniversaries of the Whitby Gazette, the Morpeth Herald and Northumberland Gazette, the Grantham Journal, the Harborough Mail and the Derbyshire Times. The latter involved a dinner for many customers, staff and local personalities at Chatsworth House and we are grateful to the Duke of Devonshire for permitting us to use this wonderful venue. A number of our newspapers were also recognised for their excellence, including the Southern Reporter as "Best Paid-for Weekly Newspaper in Scotland", for the third successive year, and the Worksop Guardian as "Campaigning Newspaper of the Year All weekly paid-for newspapers".

Electronic Publishing

Considerable progress has again been made in terms of the growth and development of our web-based activities. The Group now has 182 local websites, an increase of 20 over the course of the year. Total page impressions grew by 34% to reach 20 million per month. Total online revenues increased by 17% to £6.3 million.

During the year, our three classified sites, Jobs Today, Motors Today and Property Today, were relaunched after a complete overhaul and upgrade. At any point in time, we now typically carry 12,000 jobs, 200,000 cars and 70,000 properties for sale. The functionality and performance of each site has been substantially improved with the aim of achieving best-in-class status. We have also continued the process of building local brand awareness. Of the many enhancements made, perhaps the most noteworthy is the launch of a CV matching service on our Jobs Today site which is already generating additional revenue from an expanding database of CVs. The launch of Yorkshire Jobs Today, a regional jobs site, has also proved very successful with site visits and revenues growing strongly.

The success of our classified websites is very dependent upon the quality of data obtained from advertisers. In order to improve this, we have developed and rolled out a software interface with our front-end advertising systems, providing our sales staff with a template which facilitates the collection of structured data. Using this enhanced customer information, coupled with similarly improved data about readers, we have introduced a customer relations management (CRM) programme across the Group, which over time will result in better customer reception and service, match our offers more closely to customers' interests and create opportunities for new revenue streams.

We plan to increase the level of investment in our electronic publishing activities and for these to make a growing contribution to overall Group performance. We have expanded the specialist team based in Peterborough who are responsible for the maintenance and development of our sites. At local company level, we also have a number of specialist staff to assist in the commercial development of our sites which are very much an integral part of the publishing portfolio of each centre.

Printing

Further significant progress has been made by our Printing Division in improving the quality, reliability and timeliness of our printing operations. Almost every Johnston Press title is now printed in-house, or at Broughton Printers as part of our long-term agreement with the Express Newspapers Group. With our own titles utilising a greater share of total capacity due to increased pagination and colour growth,

third-party print revenue fell slightly when compared with the previous year. Costs have been well controlled and operating efficiencies further improved.

Undoubtedly, the most exciting development in 2004 was the project to build a major new printing centre at Dinnington on the M1, outside Sheffield. The purchase of the site was concluded at the year-end and ground works started at the beginning of 2005. We were particularly pleased to announce, in October, a 15-year agreement to print News International (NI) titles at our new facility. This resulted in an increase to the size of the building and press such that the total project cost will now be in excess of £60 million. In February of this year, we announced a similar arrangement with NI, conditional upon receiving planning consent, for the redevelopment of our Portsmouth facility, a project which is expected to cost in excess of £45 million. The NI contracts will make a valuable contribution to overall profitability and the resultant printing capacity will greatly enhance the Group's capability, bringing total colour availability to in excess of 80% of capacity.

The projects to install additional colour towers at Leeds and Sunderland were completed on budget and to schedule, as was the installation of additional colour on a number of the existing Sunderland units. The introduction of computer-to-plate technology at the same sites was also successfully completed with the planned operational improvements being achieved. We continue to review our printing capability to ensure that we are able to meet current and anticipated customer needs.

Newsprint prices during 2004 remained unchanged from the previous year but have increased from the beginning of 2005. Measures are already in place which will partially mitigate the impact.

Circulations

For the year as a whole, total circulation revenues increased by 1.3%, comprising rises of 1.7% and 0.9% in the first and second halves respectively. We continue to pursue a conservative policy towards cover prices with 89 of our 119 paid-for titles being increased during 2004. Circulations of our weekly titles remain satisfactory although, after seven consecutive years of growth there was a flattening of performance. After an increase of 0.3% in the first half, weekly circulations fell by 0.6% in the second. Our weekly titles continue to receive investment in terms of additional colour, pagination and improved content and design. Approximately half of the Group's 241 titles are paid-for weeklies, more than are owned by any other UK regional newspaper publisher.

As a result of a decision in the second half to remove almost all remaining bulk sales from the reported figures, the declared ABC performance for our evening titles showed an average decline of 6.8%. The underlying figure represents a fall of 4.2%. This followed a decline of 4.9% in the first half, which equated to a reduction of 3.6% after allowing for a planned reduction in bulks. Behind those disappointing headline figures, there were some notably improved performances including a second-half increase of 0.9% at the Hartlepool Mail and for the Scarborough Evening News, which just fell short of equalling last year's sale.

During 2004, we commissioned an extensive market research exercise, at a total cost of almost £1 million, to research 65 of our titles including 10 of our 15 daily newspapers. The results to date have been very encouraging in terms of indicated readership levels and the percentage of people who turn to our titles first when seeking items to purchase. For example, 81% of the people in Blackpool turn to the Blackpool Gazette first when looking for a job and 89% turn to it first for properties. We also commissioned separate market research exercises for two of our dailies, the Sheffield Star and the Yorkshire Post, to probe in detail the attitudes of readers towards the titles and to understand better how our content may need to be adapted to meet changing needs and tastes. The approach used in Sheffield will be used as a template for similar research which we will carry out for some of our other daily titles.

Following its development in Sunderland, all of our daily centres around the Group are now utilising a database driven approach to data capture to improve our canvassing activities and reader retention. The Group's Daily Newspaper Sales Forum, which is tasked with driving improvements in newspaper sales performance, has also made good progress in identifying and encouraging best practice. This has resulted in beneficial changes to our working relationship with newsagents, better use of point of sale materials, more effective promotional support and a clearer understanding of the effect of differing publishing times on the sale. In addition, we have increased the number of added value supplements which are being incorporated into various of our daily titles in an effort to improve the attractiveness of the newspaper package on each day of the week, thereby encouraging an increase in purchasing frequency. Whilst none of these actions will result in a rapid turnaround, we remain confident that they will contribute to an improvement in longer-term performance.

Content

The Johnston Press editorial policy guidelines enshrine the right of editors to determine both content and their editorial approach free from management interference, subject only to the broadest guidance concerning the general standards which we expect our newspapers to reflect, including observance of the Press Complaints Commission's Code of Practice. Our commitment to editorial freedom has been reinforced by the establishment of the Editorial Review Group. This group, which includes a number of daily and weekly editors, has a wide ranging remit which includes an objective to raise editorial standards, to provide expert advice on the recruitment and training of editors, to act as a guardian of editorial freedom and to provide expert advice to Group management on editorial and related issues.

During the course of 2004, our newspapers covered a vast range of stories. A substantial part of our editorial coverage is devoted to important local issues, campaigns on behalf of communities and to supporting good causes and charitable organisations in their fundraising efforts. Indeed, many of our employees are actively involved in this charitable work, a perfect example of which was the many and varied ways they raised funds for the Tsunami disaster appeals.

Investigative journalism continues to play an important part in the role of local newspapers. The Motherwell Times exposed a security blunder which resulted in a prisoner walking free, despite facing further charges. The Yorkshire Post's investigation into the activities of the BNP persuaded the Prime Minister to condemn the party publicly for the first time. A series of Sheffield Star reports on policing has been welcomed by the Chief Constable of South Yorkshire as a valuable contribution to the formulation of future policing policies.

Campaigning journalism lies at the very heart of our editorial agenda and forms a vital part of newspaper content. In Portsmouth, The News, through "Last Chance for Justice", continues to seek a specific Arctic Medal for those men who took part in the Arctic campaign of World War II. The Northumberland Gazette campaigned strongly against an elected Northeast Regional Assembly. The Cumbernauld News supported a Gulf War veterans' successful campaign for a public inquiry into the causes and effects of so-called Gulf War Syndrome. The Glenrothes Gazette has successfully campaigned for a War Memorial to be erected following the death in Iraq of two Black Watch soldiers from the town. The Yorkshire Evening Post helped to persuade the Home Secretary to close a loophole in the law which allowed juveniles who cause misery to remain anonymous. However, the vast majority of our campaigns are devoted to vital local concerns over aspects which impinge directly on peoples' everyday lives. Our newspapers also support numerous appeals, many of which tend to be associated with health-related issues. However, there are a vast number of others, including, in 2004, a Yorkshire Post appeal which raised £70,000 from readers in just 27 days to help keep the Flying Scotsman, the world's most famous steam locomotive, in Yorkshire.

Many important national stories start life in the local press. Perhaps the most notable in 2004 was the Yorkshire Post exclusive concerning the death of Sergeant Steven Roberts, the first British soldier to be killed in Iraq. Features editor, Anne Pickles, won the trust of Sergeant Roberts' widow whose story resulted in a series of exclusive features including details of equipment shortages revealed in a tape of Sergeant Roberts' last phone conversation home and which ultimately contributed to his death. Following the resultant extensive national news coverage, the story was voted "UK Scoop of the Year" in the 2004 Regional Press Awards and Anne was also named UK Feature Writer of the Year. Of many other national stories in which our newspapers had a leading involvement, two that stand out were the part played by the Morecambe Visitor in the Morecambe Bay cockling disaster and the leading role played by the Northampton Chronicle & Echo concerning the future of the British Grand Prix at Silverstone, which included a series of exclusives.

Throughout Johnston Press, editors play an active part in their communities, often being involved on local committees and interest groups. We regard this as an essential part of their role, typified, for example, by the editor of the Cumbernauld News, who chaired a series of public meetings to discuss a possible upgrade to the A80 trunk road. Similarly, we foster close relations with schools and, in Leeds and Portsmouth, we have fully equipped on-site classrooms which are used by school children to create their own newspapers. Our titles also recognise local achievement in a variety of fields, including sport, business and community involvement, often initiating or supporting celebratory events such as the Pride in Peterborough Community Awards.

However, newspapers are not only about weighty and serious matters; lighter, entertaining stories also have their place. The Diss Express' efforts for the re-housing of a feral chicken population, made

homeless by a supermarket development, under the campaign slogan "Home to Rooster", was picked up by the News of the World with a sub-title "Give a Cock a Home". And, who knows, the Ghanaian downhill skier, training for the 2006 Winter Olympics at the Milton Keynes SnoZone and dubbed "The Snow Leopard" by the Citizen, may yet become the next "Eddie the Eagle".

Organisation and People

Our Head Office management team remained unchanged throughout the year. Since the year-end, Henry Faure Walker has been appointed to head the newly established JP Ventures Division and has been succeeded as Group Business Development Manager by Simon Kennedy, a business graduate with experience in the Telecoms sector. I am particularly pleased with the announcement of Danny Cammiade's appointment to the Board as Chief Operating Officer, well deserved recognition of his considerable contribution to the success of the Group.

At the divisional level, there has been only one new appointment with Nick Mills taking over the managing director's role at the East Midlands division, replacing Mike Hutchby, who moved to fill the equivalent position at the South Yorkshire North Midlands division. At company level, there have been a number of important appointments including several at managing director level from outside the Group, bringing valuable fresh talent into the business. The Commercial Trainee Leadership Programme has now been in place for more than 12 months and already this has resulted in several junior management appointments. The scheme will be complemented by a Graduate Trainee Leadership Programme to be launched in the current year.

Our broad ranging suite of training programmes has been enhanced and extended to include a comprehensive training programme for newspaper sales staff as well as editorial and advertising management diplomas. Similarly, our Senior Management Development Programme continues to play an important role in growing senior managers for the future and a number of successful participants have been appointed to new positions during 2004.

We have taken a number of steps to ensure that we meet our objectives of being a caring and responsible employer, including the introduction of defined people values which emphasise open, straightforward communication, integrity, continued success and the importance of recognising everyone's contribution. As outlined earlier, we have also made considerable improvements in our approach to Health & Safety and in developing a culture which recognises the absolute priority of such matters. We have made real progress in improving communications and consultation with all our employees. This has involved the introduction of an employees' version of the annual report and accounts, team briefings, company results' briefings and employee forums. Progress has been made in our approach to diversity including the introduction of a Johnston Press bursary to assist people from deprived or ethnic backgrounds to undertake training in journalism. A total of four bursaries were awarded in 2004.

Recognising the importance of all our staff and the huge contribution they make to the continued success of our business, it is particularly pleasing that the Share Incentive Plan introduced in 2003 will, for the second successive year, result in all qualifying employees, representing the substantial majority of those we employ, receiving free shares in Johnston Press.

To address ongoing funding shortfalls and to facilitate the merging of the Johnston Press and RIM defined benefit pension schemes, we injected a further £5.8 million prior to the year-end. As part of this exercise, all employees who choose to be in the Company's pension arrangements will have four times' salary life cover. Paternity leave of two weeks' pay at 90% of basic salary has been extended throughout the Group and we have introduced childcare vouchers. These measures, along with others not mentioned, illustrate the importance we place on remaining a competitive and caring employer.

TIM BOWDLER
Chief Executive Officer
16 March 2005

FINANCIAL REVIEW

Overview
Financially 2004 was an excellent year for Johnston Press. The Group delivered significant improvements in cash flow, operating margins, earnings per share and return on capital employed. This, combined with good growth on the top line and a substantial reduction in our net debt, leaves the Group well placed moving into 2005.

Financial Review
In comparing performance between 2004 and 2003, it should be noted that 2004 has been a 53-week financial year and, where relevant, in order to help the reader make like-for-like comparisons, we have included performance figures for 52 weeks.

	2004 53 weeks £'m	2004 53rd week £'m	**2004 52 weeks £'m**	2003 £'m
Advertising revenues	394.4	2.7	391.7	371.2
Newspaper sales	69.6	1.1	68.5	67.6
Contract printing	19.3	0.2	19.1	20.2
Other revenues	35.5	0.1	35.4	32.8
Total revenues	**518.8**	**4.1**	**514.7**	**491.8**
Costs	340.8	1.1	339.7	328.8
Operating profit - pre-exceptionals	**178.0**	**3.0**	**175.0**	**163.0**
Operating margin	**34.3%**		**34.0%**	**33.1%**

The revenues and costs incurred in the 53rd week are only those that are truly incremental for that period and ignore all other monthly costs such as depreciation, salaries and lease payments.

Revenues
Although total advertising revenues for the Group grew by 6.2%, 0.7% of this growth was due to the 53rd week, which contributed advertising revenues of £2.7m. Deducting this results in the like-for-like growth of 5.5%.

The figures quoted in the rest of this section all relate to a like-for-like period of 52 weeks.

Advertising revenues for the Group by category were as follows:

	2004 £m	**2003 £m**	**Increase %**
Employment	117.2	106.5	10.1
Property	56.0	51.1	9.6
Motors	47.4	47.9	(1.2)
Other classified	60.6	58.1	4.4
Total classified	**281.2**	**263.6**	**6.7**
Display	110.5	107.6	2.7
Total advertising revenue	**391.7**	**371.2**	**5.5**

This growth was predominantly volume driven, with advertising volumes up by 5.1% and yields up by only 0.4%. Yield growth was restricted by some of our organic revenue growth initiatives which have repurposed classified content into other publications in the local/regional market at lower yields but with relatively little incremental cost. Adjusting for these initiatives, the underlying yield increase was 1.3%. This lower than normal increase reflects the high growth in property, our lowest yielding category, offsetting annual rate card increases and a continued growth in the level of colour advertising which commands a premium, made possible by our ongoing investment in colour capability.

The strongest two categories were employment and property, but there was also good growth in other classified and display advertising. Display advertising, after a disappointing year in 2003, returned to growth with a strong performance from those businesses that place their advertising through national agencies such as the supermarkets and the Central Office of Information. Motors had a more difficult year with the continued consolidation in the sector and a reduction in the volume of cars being sold privately.

The Chief Executive Officer's Review provides a summary of advertising performance by division.

The table below shows a breakdown of the adversiting revenues for the two half years.

	Half year to 31 December 26 Weeks			Half year to 30 June 26 Weeks		
	2004	2003	Increase	**2004**	2003	Increase
	£m	£m	%	**£m**	£m	%
Employment	**55.5**	52.1	6.6	**61.7**	54.4	13.3
Property	**27.9**	24.2	15.2	**28.1**	26.9	4.7
Motors	**22.7**	23.3	(3.0)	**24.7**	24.6	0.4
Other classified	**30.2**	28.7	5.6	**30.4**	29.4	3.3
Total classified	**136.3**	128.3	6.2	**144.9**	135.3	7.1
Display	**55.8**	54.7	2.0	**54.7**	52.9	3.4
Total advertising revenue	**192.1**	183.0	5.0	**199.6**	188.2	6.0

The rate of growth in advertising revenues was slower in the second half of the year principally because of the stronger comparatives in 2003 when advertising revenues picked up post the Iraqi conflict.

Circulation revenues rose by £0.9m (1.3%) reflecting limited cover price increases more than offsetting the reduced circulation of our daily titles.

Contract print revenues were down 5.8% on 2003. There were two main factors behind this, one being a reduction in the capacity available for third party work due to increased Group volumes and the second being a reduction in the level of work going through the old heatset press in Portsmouth, which we propose to close during the course of 2005.

Total income from the other revenue categories, which include new media, leaflets and sundry revenues, showed good growth, up by 8.2%. This was pleasing as a number of Group initiatives were focused on this area. New media revenues were up by 17.0% driven by employment advertising and the upgrading of all of our classified platforms. The profit contribution from our new media activities was £3.6m. Leaflet sales had another very good year up 14.1%. Within sundry revenues, good performance from exhibitions, sponsorship and the syndication of newspaper stories were the main factors behind the 4.6% growth.

Margins

The good growth in revenues, when combined with our ongoing emphasis on investment which creates business efficiencies and cost control, meant that margins improved again during the year. For the Group, operating margin on a like-for-like basis improved from 33.1% to 34.0%. Every division increased its operating profit in absolute terms. All of the ex-Regional Independent Media Ltd (RIM) businesses are fully integrated into the Group operating divisions without reducing previously reported operating margins, further evidence of the synergies obtained from these businesses which had a combined margin at acquisition of 24.5%.

After newsprint prices being flat in 2004, following 2 years of reductions in 2002 and 2003, there has been an increase in 2005. Plans are already well developed and being implemented that will help the Group reduce the impact of this increase.

Operating Exceptionals

As has been the practice of the Group in recent periods, costs or revenues that are material and out of the normal course of operations are highlighted separately in the columnar style profit and loss account.

These include the costs of redundancies, restructuring and gains or losses on the disposal of fixed assets. In total this year, they amounted to £0.8m, net of a £1.0m profit made on the disposal of the Group's interest in the commercial radio station in Burnley, 2BR, which it acquired as part of RIM. In addition, the Group wrote off a further £0.7m from its investment cost in Mirago plc, the European internet search engine.

Cash Flow/Net Debt

The operating cash flow and cash conversion of the business continued to be strong with the operating cash flow 109% of the operating profit. As a result of this positive cash flow, net debt reduced by £95m, closing the year at £328m. The reduction was £15m greater than that experienced last year due to increased profitability, reduced interest charges and reduced payments into the Group's pension funds. This was achieved despite an increase in corporation tax payments after the utilisation of tax losses in 2003 inherited from RIM and a one off payment of £5.8m being paid (see below) to facilitate the merger of the RIM Pension Plan into the Johnston Press Pension Plan. After the introduction of the Group's Share Incentive Plan, shares were purchased to the value of £1.5m, based on the Company achieving Board determined targets for 2003. The regionalisation of the credit control activities that resulted in increased debtors at the end of 2003 has now been completed according to plan and a reduction in debtor levels also contributed to the positive cash flow in the year. In 2005, as the expenditure on the new Sheffield print facility ramps up, it is expected that total capital expenditure will be in excess of £65m.

Interest cover for the year was 6.8 times.

Financial Investments

As the Group is entirely UK based and the US Dollar based element of the private placement has been swapped back into Sterling, the main financial risk that the Group faces is associated with interest rates.

The Group policy is that borrowings should be arranged at the lowest possible cost and with covenants within which it can comfortably operate. The policy also requires that a minimum of 50% of the debt should be hedged against potential movements in interest rates whilst the balance is kept under continuous review. At 31 December 2004, £250m of the debt was hedged or placed at an effective rate of 5.2% for an average period of 4 years.

At the end of the year, the Directors reviewed the carrying value of the Group's investments. The shares in Sunderland AFC have been disposed of post year end and the Group now no longer holds any listed investments. The unlisted investment in Mirago was written down by £0.7m (2003 £0.7m) based on the Directors' valuation.

Pension Funds/FRS17

At 31 December 2004, the Group achieved its objective of merging the RIM pension schemes into the Johnston Press Pension Plan (JPPP). All of the RIM defined contribution members (active, deferred and pensioners) moved across but unfortunately, because of legislation regarding protected rights, only the active members of the defined benefit section could transfer. The pensioners and deferred members have remained in a much reduced RIM scheme which the Group has committed to continue funding. To facilitate the merger of the final salary schemes, the Company made a one off payment of £5.8m to equalise the ongoing funding levels and to ensure that no member was disadvantaged by the combination. Despite this contribution and the continued recovery in the stock markets, the total FRS17 deficit on the Group's schemes increased by £5.2m, gross of tax, to £70.6m. The main reasons behind this increase were lengthening life expectancy and a reduction in the discount rate used to calculate the present value of future liabilities.

Full tri-annual valuations are being completed at the time of writing and will result in new funding arrangements being put in place before the end of the year.

The Group is still reporting under the transitional arrangements of FRS17 pending full implementation of that standard or International Accounting Standard 19 in 2005.

The Group also carries accruals for unfunded ex-gratia pension arrangements for certain former employees. This liability is subject to an annual actuarial valuation and this resulted in no change to the pension provision.

Accounting Standards
The Group is preparing for the implementation of International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) from 2005. As these standards have been released they have been considered to assess the potential level of impact on the Group.

The key areas of potential impact identified by the Group to date in adopting IFRS are discussed below. These areas are in addition to the presentational changes that are required by the Standards. All figures quoted are for illustrative purposes only to assist in the understanding of the potential impact of moving to IFRS.

IAS 19 *'Employee benefits'* – IAS 19 will be similar to the requirements under full implementation of FRS17. The impact of full adoption of FRS17 will be detailed in our Annual Report. In terms of presentation, the pension liability of £70.6 million and related deferred tax asset of £21.2 million will be shown separately in the balance sheet. The charge to the profit and loss account in 2004 would have been £5.9 million, which is an increase of £0.4 million over the SSAP24 defined benefit scheme charge.

IFRS 2 *'Share-based payments'* – new profit and loss account charges will be incurred in respect of employee share awards and options based on their fair value. The Group has estimated that this would have resulted in an additional charge against profits of £1.1 million in 2004, cumulative £1.5 million, which will be included in the restated results when reporting the Group's position as at 31 December 2005. The majority of the charge relates to the Save-As-You-Earn Scheme, which is open to all qualifying employees and which allows shares to be purchased at a discount to the market price. The tax effect is excluded from the above estimate.

IAS 38 *'Intangible assets'* – the publishing titles held by the Group as intangible assets meet the recognition criteria under IAS 38 and will therefore continue to be held as intangible assets. Impairment reviews will continue to be performed on an annual basis as the Group's current policy of charging no amortisation will also continue under IAS.

IAS 10 *'Events after the balance sheet date'* – dividends in respect of a year can only be recorded when they are declared and approved. The impact on the 2004 results of applying this change would be to reverse out the 2004 final proposed dividend of £13.7 million and replacing it with the 2003 final proposed dividend of £11.4 million, it being approved and paid during 2004. This would have increased shareholders' funds by £2.3 million at 31 December 2004.

IAS 28 *'Investments in associates'* – requires the Group's share of the profit of associated companies to be shown net of tax and the impact in 2004 was £0.1 million, reducing the profit and tax by this amount.

IAS 32 & 39 *'Financial instrument measurement and reporting'* – in accordance with the Group policy to enter into financial instruments only for hedging purposes, it is not expected that any material impact will arise from the application of hedge accounting and the treatment of any portion of the financial instrument that is ineffective.

Share Incentive Plan
The Share Incentive Plan introduced in January 2003 was continued into 2004 for all qualifying employees. The plan provides free shares for those employees based on financial performance targets determined by the Board of Directors. As the Group has exceeded the maximum target for 2004 determined by the Board, shares to the value of £1.5m (2003 £1.5m) will be distributed to participating employees based on their contracted hours of employment.

Dividends and Earnings per Share
Headline earnings per share at 37.96p were 17.3% up on 2003. Subject to approval at the Annual General Meeting on 29 April 2005, the total dividend per share for the year will be 7.2p, an increase of 20%. As was announced at the time of the interim dividend, this increase represents something of a catch-up due to the fact that, over the last three years, the growth in earnings of the Group has been greater than the growth in dividends resulting in an increasing level of dividend cover.

STUART PATERSON
Chief Financial Officer
16 March 2005

Group Profit and Loss Account
Year to 31 December 2004

	Notes	**2004** Before exceptional items £'000	**2004** Exceptional items £'000	**2004** Total £'000	2003 Before exceptional items £'000	2003 Exceptional items £'000	2003 Total £'000
Turnover – Continuing operations	1	**518,830**	—	**518,830**	491,843	—	491,843
Cost of sales		**(239,722)**	—	**(239,722)**	(234,225)	—	(234,225)
Gross profit		**279,108**	—	**279,108**	257,618	—	257,618
Other operating expenses (net)		**(101,115)**	**(769)**	**(101,884)**	(94,585)	(2,452)	(97,037)
Operating profit – Continuing operations	2	**177,993**	**(769)**	**177,224**	163,033	(2,452)	160,581
Share of associates' operating profits		**221**	—	**221**	581	—	581
Profit on ordinary activities before interest and taxation		**178,214**	**(769)**	**177,445**	163,614	(2,452)	161,162
Net interest		**(26,137)**	**(708)**	**(26,845)**	(32,485)	(725)	(33,210)
Profit on ordinary activities before taxation		**152,077**	**(1,477)**	**150,600**	131,129	(3,177)	127,952
Taxation on profit on ordinary activities		**(43,903)**	**443**	**(43,460)**	(39,217)	953	(38,264)
Profit for the financial year		**108,174**	**(1,034)**	**107,140**	91,912	(2,224)	89,688
Dividends on equity and non-equity shares	4	**(20,683)**	—	**(20,683)**	(17,173)	—	(17,173)
Retained profit for year		**87,491**	**(1,034)**	**86,457**	74,739	(2,224)	72,515
Earnings per share	3						
Headline		**37.96p**			32.36p		
Headline diluted		**37.62p**			32.13p		
Basic				**37.60p**			31.57p
Diluted				**37.26p**			31.35p

The accounts for 2004 relate to 53 weeks trading whereas the 2003 accounts comprise 52 weeks.

Group Statement of Total Recognised Gains and Losses
Year to 31 December 2004

	2004	2003
	£'000	£'000
Profit for the financial year and total recognised gains and losses for the financial year	**107,140**	89,688

Group Reconciliation of Movements in Shareholders' Funds
Year to 31 December 2004

	2004	2003
	£'000	£'000
Profit for the financial year	**107,140**	89,688
Dividends	**(20,683)**	(17,173)
Movement in own shares	**(325)**	62
New share capital subscribed, including share premium	**3,245**	1,390
Net increase in shareholders' funds	**89,377**	73,967
Opening shareholders' funds	**634,932**	560,965
Closing shareholders' funds	**724,309**	634,932

Group Note of Historical Cost Profits and Losses
Year to 31 December 2004

	2004	2003
	£'000	£'000
Reported profit on ordinary activities before taxation	**150,600**	127,952
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**69**	85
Historical cost profit on ordinary activities before taxation	**150,669**	128,037
Historical cost profit for the year retained after taxation and dividends	**86,526**	72,600

Group Balance Sheet
As at 31 December 2004

	2004	2003
	£'000	£'000
Fixed assets		
Intangible	**927,557**	927,557
Tangible	**156,742**	156,972
Investments	**2,798**	3,980
	1,087,097	1,088,509
Current assets		
Stocks	**4,417**	2,961
Debtors – due within one year	**60,114**	59,734
– due after more than one year	**18,409**	13,984
Cash at bank and in hand	**10,119**	9,944
	93,059	86,623
Creditors: amounts falling due within one year	**(173,227)**	(151,123)
Net current liabilities	**(80,168)**	(64,500)
Total assets less current liabilities	**1,006,929**	1,024,009
Creditors: amounts falling due after more than one year	**(268,002)**	(372,750)
Provisions for liabilities and charges	**(14,618)**	(16,327)
Net assets	**724,309**	634,932
Capital and reserves		
Called-up share capital		
Equity	**28,532**	28,399
Non-equity	**1,106**	1,106
	29,638	29,505
Reserves - equity	**694,671**	605,427
Shareholders' funds	**724,309**	634,932

Group Cash Flow Statement
Year to 31 December 2004

	Note	**2004 £'000**	2003 £'000
Net cash inflow from operating activities	5a	**192,740**	167,573
Returns on investments and servicing of finance	5b	**(24,316)**	(30,849)
Taxation	5c	**(34,321)**	(23,548)
Capital expenditure and financial investment	5d	**(22,116)**	(18,291)
Acquisitions and disposals	5e	—	608
Equity dividends paid		**(18,196)**	(15,863)
Cash inflow before financing		**93,791**	79,630
Financing	5f	**(90,257)**	(92,241)
Increase/(decrease) in cash in the year		**3,534**	(12,611)

Notes to the Financial Information

1. Turnover/Net Assets Analysis

	Turnover		Group Net Assets	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Continuing operations				
Newspapers and contract printing	**518,830**	491,843	**724,309**	634,932

2. Operating Profit

	2004	2003
	£'000	£'000
Continuing operations		
Newspapers and contract printing	**177,224**	160,581

3. Earnings per Share

The calculations of earnings per share are based on the following profits and weighted average number of shares:

	Headline		Basic/Diluted	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Profit for the financial year	**107,140**	89,688	**107,140**	89,688
Exceptional items	**1,477**	3,177	—	—
Tax effect of exceptional items	**(443)**	(953)	—	—
Preference dividends	**(152)**	(152)	**(152)**	(152)
	108,022	91,760	**106,988**	89,536

	2004	2003
	No. of shares	No. of shares
Weighted average number of shares		
For headline/basic earnings per share	**284,567,734**	283,576,312
Exercise of share options	**2,593,694**	2,052,389
For diluted earnings per share	**287,161,428**	285,628,701

Headline figures are presented to show the effect of excluding exceptional items from earnings per share.

4. Dividends

The Directors recommend a final dividend of 4.8p per share making a total dividend of 7.2p per share for the year. Subject to approval by members, the final dividend will be paid on 13 May 2005 to those ordinary shareholders on the register at 29 April 2005.

Notes to the Financial Information - continued

5. Notes to Cash Flow Statement

		2004	2003
		£'000	£'000
a)	Net cash inflow from operating activities		
	Operating profit	**177,224**	160,581
	Exceptional items	**(337)**	(669)
	Depreciation charges	**19,506**	18,016
	Loss on sale of tangible fixed assets	**285**	31
	Profit on sale of investment in Two Boroughs Radio	**(1,066)**	—
	Profit on sale of business	—	(338)
	Amount written off Employee share option trust	**466**	287
	Increase in stocks	**(1,456)**	(258)
	Increase in debtors	**(4,805)**	(12,281)
	Increase in creditors	**2,923**	1,904
	Increase in unfunded pension provision	—	300
	Net cash inflow from operating activities	**192,740**	167,573
b)	Return on investments and servicing of finance		
	Income from fixed asset investments	**513**	845
	Interest received	**335**	308
	Dividends received from associated undertakings	**498**	352
	Interest paid	**(25,510)**	(32,202)
	Preference dividends paid	**(152)**	(152)
	Net cash outflow	**(24,316)**	(30,849)
c)	Taxation		
	UK corporation tax paid	**(34,321)**	(23,548)
	Net cash outflow	**(34,321)**	(23,548)
d)	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	**(24,498)**	(19,103)
	Sale of tangible fixed assets	**1,975**	1,015
	Purchase of investment – Employee share option trust	**(791)**	(238)
	Sale of investment	**1,198**	35
	Net cash outflow	**(22,116)**	(18,291)
e)	Acquisitions and disposals		
	Sale of subsidiary undertaking/business	—	608
	Net cash inflow	—	608
f)	Financing		
	Proceeds from issue of ordinary share capital	**3,245**	1,390
	Loan stock repaid	**(2,338)**	(1,695)
	Loans repaid	**(91,137)**	(224,697)
	New loans	—	132,785
	Finance leases	**(27)**	(24)
	Net cash outflow	**(90,257)**	(92,241)

Notes to the Financial Information - continued

5. Notes to Cash Flow Statement (continued)

g) Analysis and reconciliation of net debt

	1 January 2004 £'000	Cash flow £'000	Other non-cash changes £'000	**31 December 2004 £'000**
Cash at bank and in hand	9,944	175	—	**10,119**
Overdrafts	(15,032)	3,359	—	**(11,673)**
	(5,088)	3,534	—	**(1,554)**
Bank loans	(247,933)	91,137	—	**(156,796)**
Senior notes	(132,785)	—	—	**(132,785)**
Loan stock	(41,778)	2,338	—	**(39,440)**
Finance leases	(66)	27	—	**(39)**
Term debt issue costs	4,478	—	(1,986)	**2,492**
	(418,084)	93,502	(1,986)	**(326,568)**
Net debt	(423,172)	97,036	(1,986)	**(328,122)**

Of the £10,119,000 cash at bank and in hand, £1,577,000 is held on deposit to guarantee the 1999/2006 Loan Stock interest for one year.

	2004 £'000	2003 £'000
Increase/(decrease) in cash in the year	**3,534**	(12,611)
Repayment of debt and movement in lease financing	**93,502**	93,631
Change in net debt resulting from cash flows	**97,036**	81,020
Amortisation of term debt issue costs	**(1,986)**	(1,350)
Movement in net debt in year	**95,050**	79,670
Net debt at beginning of year	**(423,172)**	(502,842)
Net debt at end of year	**(328,122)**	(423,172)

6. Statutory Accounts

The financial information set out above does not comprise the Company's statutory accounts for the years ended 31 December 2003 and 31 December 2004. The accounts for the year ended 31 December 2003 have been filed and those for the year ended 31 December 2004 will be filed with the Registrar of Companies following the Annual General Meeting. The Company's auditors gave unqualified reports on the accounts for those periods and the reports did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

The Directors are responsible in accordance with the Listing Rules and applicable United Kingdom accounting standards for preparing and issuing this preliminary announcement.

7. Financial Statements and Annual General Meeting

Audited financial statements and the annual report will be posted to shareholders on 16 March 2005. The Annual General Meeting will be held on 29 April 2005.

8. Accounting Policies

The accounting policies adopted in this preliminary announcement are consistent with the 2004 annual accounts, which are themselves consistent with the 2003 annual accounts.