

JOHNSTON PRESS

INTERIM RESULTS FOR THE 26 WEEKS ENDED 30 JUNE 2008

Johnston Press plc, one of the leading community media groups in the UK and Ireland, announces interim results for the 26 weeks ended 30 June 2008.

KEY POINTS

| | <u>Before non-recurring items</u> | | | <u>After non-recurring items</u> * | | |
|-------------------------|-----------------------------------|----------|--------|------------------------------------|----------|--------|
| | 2008 | 2007 | Change | 2008 | 2007 | Change |
| | 26 Weeks | 26 Weeks | | 26 Weeks | 26 Weeks | |
| | £m | £m | % | £m | £m | % |
| Revenue | 293.1 | 312.8 | -6.3 | 293.1 | 312.8 | -6.3 |
| Operating profit/(loss) | 81.6 | 96.7 | -15.6 | (34.5) | 88.0 | n/a |
| Profit before tax | 62.5 | 76.3 | -18.1 | (53.7) | 67.5 | n/a |
| Earnings per share | 10.59p | 14.04p | -24.6 | (15.13)p | 18.65p | n/a |

- Overall advertising revenues declined by 9.5% despite digital revenues growing by 52.1%.
- Continue to experience significant growth in overall audience reach – combining our newspaper readership with the rapidly increasing number of people visiting our websites.
- Underlying year on year cost reduction of £7.6m in the first half.
- Operating margin before non-recurring items of 27.9% (2007:30.9%).
- Cash generation of 97% of operating profit.
- Net debt reduced by £207.8m to £483.9m (Dec 2007:£691.7m).
- Interest cover of 3.9 times (excl. non-recurring items).
- £205m net proceeds from subscription and rights issue during period.
- Impairment charge of £109m taken against carrying value of intangible assets.
- Given proximity of the Rights Issue, no interim dividend, final dividend dependent on trading performance.
- Advertising revenues in the first 7 weeks of the second half are down 21.0% year on year.

* non-recurring items – see analysis on page 1

OUTLOOK

Chief Executive Officer, Tim Bowdler said

“Advertising trends have continued to deteriorate over the course of the year and future performance will inevitably be linked to the economies of the UK and to a lesser extent that of the Republic of Ireland. In response to the current challenging circumstances, we continue to actively manage our cost base to achieve productivity gains and in a manner which will protect the long term prospects of the Group. We expect to deliver a result reflective of these initiatives and the difficult market conditions”.

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Johnston Press plc

Chief Executive's Half Year Statement

The first half of this year has been impacted by a particularly difficult trading environment with significant and deteriorating year-on-year reductions in advertising revenues. To minimise the impact on profitability, cost management programmes have been implemented which have benefited the first half of 2008 and will continue to do so throughout the balance of this year and beyond. The reduction in advertising revenues has led to a fall in operating profit, requiring impairment charges to be taken against the carrying value of publishing titles and goodwill.

In the six months to 30 June 2008, the Group recorded an operating profit before non-recurring items of £81.6 million (2007: £96.7 million) with an operating margin of 27.9% (2007: 30.9%). During this period, the Group reduced its debt by raising £212 million of equity funding from a combination of a subscription of shares by Usaha Tegas Sdn. Bhd. and a 1 for 1 Rights Issue. After deduction of fees the net proceeds were £205 million.

The net proceeds of the fund raising were used entirely to reduce borrowings with net debt at 30 June 2008 falling by £249.2 million to £483.9 million (June 2007: £733.1 million). Net debt at 30 June 2008 was adversely impacted by the deterioration in the Euro exchange rate compared to 30 June 2007. This increased net debt by £17 million compared to 30 June 2007. Finance costs for the period were £21.5 million (2007: £23.0 million) reflecting lower average net debt levels and marginally lower interest rates. Excluding the impact of non-recurring items, interest cover was 3.9 times and cash generated from operating activities was 97% of operating profit.

Reflecting the intentions regarding dividend policy as expressed in the Rights Issue prospectus, the Board has decided to pay no interim dividend. This decision, together with the trading performance during the second half of the year, will be taken into account when setting the final dividend for 2008. In the short term, the Board believes the most important use of available cash is to reduce the Group's net debt position.

Non-recurring items within operating expenses in the period were £1.9 million (2007: £3.1 million). These costs related to the continuing programme of actions we are taking to fundamentally restructure the business to create a cost base which is more appropriate for the challenging trading environment in which we are now operating. The principal charges during the first half were the closing of 5 day shifts in the press hall in Leeds and the closure of various pre-press departments. During the second half we expect a continuation of this programme having already announced a number of further initiatives including the proposed closure of our printing operations in Northampton.

In addition, the Group incurred a non-recurring impairment charge of £109 million in the 26 weeks to 30 June 2008 as a result of the current difficult trading climate. This charge represents 7% of the £1.5 billion value of goodwill and publishing titles on the balance sheet before the impairment. The future discounted cash flows of each of the Group's cash generating units were compared to the net assets of those units. Given that the future cash flows are based on our forecasts for 2008, this results in the impairment charge reported. Further details follow later in this Statement. There was also a reduction in the value of publishing titles of £5.3 million related to a tax adjustment of an equal and opposite amount. This is explained in more detail in note 5 and is a technical IFRS adjustment. After taking account of the non-recurring items, the Group incurred a loss before tax of £53.7 million compared to a profit before tax of £67.5 million in the prior year.

Underlying earnings per share, excluding non-recurring items, were 10.59p (2007: 14.04p). The weighted average number of shares for the 26 weeks to 30 June 2008 has been adjusted to reflect the placing of shares with Usaha Tegas and the 1 for 1 Rights Issue. The earnings per share for the previous periods have been adjusted for the dilution effect of the Rights Issue by amending the weighted average number of shares.

Business Environment

The trading environment since the beginning of 2008 has deteriorated sharply and in overall terms represents the most challenging conditions encountered by the Group for a considerable number of years. The seeds of the decline are to be found in the crisis in world financial markets which started in the second half of 2007 and has now spread to the wider economy. The impact on the property market, car sales, retail, employment and consumer confidence is all too evident with independent economic forecasts generally painting a very gloomy picture for the next 18 months at the very least. Reflecting this, our share price performance has been very disappointing throughout the period.

The trading review below provides a more detailed analysis of the Group's advertising revenue performance but it is clear that the sharp declines we have experienced are directly related to the marked deterioration in the UK and Irish economies. Whilst the existence of established online competition, especially in the key classified advertising categories, is clearly evident, its impact on our print revenues has been far less significant than that inflicted by the economic downturn.

Trading Review

In this trading review the advertising statistics are like-for-like, excluding the weekly titles acquired in 2007 and 2008 and eliminating foreign exchange movements by using the same currency rate in each period.

Overall advertising revenues declined by 9.5% in the period despite digital revenues growing at an increasing pace, up by 52.1%. The overall rate of decline has increased over the period, rising from 6.7% in the first quarter to 12.3% in the second quarter with the month of June alone being 15.9% down. Total UK-based print advertising for the six months fell by 11.3%, and in June was 17.2% down. Advertising revenue in the Republic of Ireland fell by 16.7% over the period, reflecting a significant worsening in the economic climate with the property market in particular suffering a steep decline.

In the UK, property print advertising revenue fell by 17.8% over the six months, reflecting the poor state of the housing market and cutbacks by estate agents in response to that. The trend has deteriorated as the year has progressed with the month of June declining by 33.1%. Employment advertising has also suffered a worsening trend, down by 10.4% in the period but by 16.7% in the month of June. As mentioned above, this reflects the deteriorating economic environment with unemployment increasing and a tight rein on public sector expenditure. Motors advertising fell at a consistent rate over the six months being down by 17.0%. This reflects what continues to be a very challenging market with dealer consolidation, poor car sales and competition from websites all being factors. The "others" category declined by 7.4% also at a fairly consistent rate over the period with the largest factor being in respect of a conscious policy to tighten the conditions which apply to the Group's acceptance of personal services advertising.

Display advertising fell overall by 7.5% with national display advertising faring marginally better than local. The latter accounted for approximately 70% of the total display category. Our strategy of creating new advertising platforms, in part on a Group-wide basis, which appeal to advertisers who have not typically used regional press extensively, has had some success. However, this was not sufficient to offset the overall weakness of our traditional customer base, which reflected the difficulties of the High Street.

UK newspaper sales revenues fell by 1.1% with a continued decline in circulations marginally exceeding the revenue gains from selective cover price increases. The greatest declines were again experienced by our daily titles with both daily and weekly sectors experiencing slightly greater reductions than the comparative period in 2007. The (Belfast) News Letter was again one of our best performing daily titles and The News (Portsmouth) also made encouraging progress in reducing its rate of decline significantly.

In terms of overall audience reach, when combining our newspaper readership with the rapidly increasing number of people visiting our websites, we continue to experience significant growth. This combined audience provides advertisers with increased levels of local market penetration and forms an essential part of our advertising proposition.

Digital Publishing

As noted above, our digital publishing operations continue to make excellent progress, with revenue growth of 52%. We also reached a larger audience with monthly unique visitors up by 42% to 11.2 million and equivalent page impressions ahead by 136% at 179.6 million. The continued expansion of our digital operations progressed with total expenditure in this area again increasing over the previous period.

Digital revenue growth continues to be strong for employment advertising with our CV matching service again making excellent progress. We also achieved a substantial increase in online display advertising and business directory listings. The January 2008 Group-wide launch of the iAnnounce service which provides users with the opportunity to place online personal announcements to mark events such as births, marriages or deaths has been a considerable success and in the first six months has generated 10% of total digital revenue.

During the period, Lori Cunningham was appointed as the new Group Digital Strategy Director having previously worked with Net-a-Porter, AOL and Booz Allen. Lori's task is to steer the Group through the next stages of its digital developments, building on the success already achieved in terms of revenues, audience growth and enhanced content. So far as the latter is concerned, our websites are now an embedded part of our media portfolio with our local newsrooms routinely breaking news online, enhanced by an increasing amount of audio-visual content.

Capital Investment

Good progress continues to be made in our ongoing programme to introduce common IT systems throughout the business. A key project during 2008 is the installation of a consolidated central data storage centre hosted by Thus plc with mirrored systems, increasing resilience and providing direct internet access. On completion during the second half of the year, this will enable readers and viewers to interact with each of our companies in a more timely and efficient manner, improving the user experience and creating overall efficiencies.

In terms of print plant, the major press installation in Portsmouth is now fully operational and is meeting our expectations. In view of the excellent performance of the new presses in Dinnington, Yorkshire and Portsmouth, coupled with reduced volumes as a result of the tighter market conditions, we have carried out a further review of our printing capacity resulting in an announcement of the proposed closure of our Northampton facility.

The capital investment programme at Caledonian Offset in Edinburgh to provide more colour has been successfully completed and work is well advanced in Carr, Northern Ireland, where we have extended the existing press and are in the process of installing a second press which was previously at Portsmouth. This follows the earlier closure of two ageing press halls in Northern Ireland.

Acquisitions

On 7 March, the Group completed the acquisition of South Tipp Today, a small weekly free distribution newspaper which circulates in County Tipperary in the Republic of Ireland. The title, which complements our existing presence in the area, has already been integrated into our Irish business and is performing well. No other acquisitions were made during the first half and none are currently in prospect. However, we continue to believe that further industry consolidation is likely at some future point in time and that this would prove beneficial to the longer term prospects of the regional press together with its audience, advertisers and the wider communities which it serves.

Balance Sheet

There were two factors that significantly impacted the Balance Sheet at 30 June 2008.

The Group has recorded an impairment charge of £109 million against the value of goodwill and publishing titles as noted above. The future discounted cash flows over 20 years based on the current forecasts for 2008, which reflect the very difficult trading climate, did not support the net assets value on the Balance Sheet. The write down affected the businesses acquired in 2005 and 2006, particularly in the Republic of Ireland as well as Northern Ireland and Scotland. Of the £109 million, impairment against goodwill was £82 million. This included the entire value of goodwill relating to the Republic of Ireland and therefore the remaining impairment in this division reduced the value of publishing titles by £27 million. This results in a reduction in the provision for deferred tax of £5.3 million which was provided when the titles were first acquired, at the local rate of 20%. IFRS requires this tax adjustment to be flowed through the Income Statement.

When the original deferred tax was provided an equal and opposite offset was recorded in goodwill. This tax adjustment to comply with the rules of IAS 12 requires an associated offset in intangible assets. Given that the entire goodwill relating to the Republic of Ireland acquisitions has been impaired, the unmatched balance of £5.3 million has been written off against publishing titles. After tax, the net result of these adjustments is the £109 million impairment.

The second change in the Balance Sheet related to the placing of shares and the Rights Issue which increased share capital and share premium by £205 million, with an equivalent reduction in debt. Full details of the shares issued are summarised in note 16.

Business Risks

The principal risks and uncertainties facing our business have been reported in detail in our recent statements.

As is all too evident, these concerns have now become reality with advertising revenues suffering significant declines especially for the property sector. Given the gloomy nature of current economic forecasts there is a significant risk that the position could worsen in the short term and that advertising revenues could continue to decline through 2009 and perhaps beyond. In those circumstances, the Group is closely focused on making ongoing adjustments to the cost base of the business to ensure that it is in the best possible shape to face the current downturn.

It was against this background coupled with concerns over the level of the Group's borrowings, particularly as they related to its banking covenants, that the decision was made to raise new equity funds. As part of this exercise, and as mentioned above, there was a related subscription of shares by Usaha Tegas, which has resulted in Usaha Tegas now holding 20% of the total equity of Johnston Press. The Johnston family remain holders of 7.6% of the Group's issued shares. Taken together, this represents a strengthening of the Group's shareholding structure and has resulted in a significant reduction in overall borrowings.

At the time of the Rights Issue, the financial position of the Group was subjected to a series of stress tests to ensure that the structure of the Balance Sheet was sufficiently robust to cope with a variety of worsening market scenarios. Whilst the severity or duration of the current downturn cannot be predicted with absolute certainty, the Group believes that it is in a position to withstand any further erosion of advertising revenues which could be reasonably foreseen.

An increasing risk for companies in general is regarding the funding position of defined benefit pension schemes. In this regard, Johnston Press is relatively well placed. An IAS 19 valuation of the Group's pension scheme was completed on 30 June 2008. The assumptions used in the valuation are summarised in note 15 and are compared to the assumptions used at 31 December 2007. The fair value of the scheme assets at 30 June 2008 was £357.5 million, with a scheme deficit of £8.4 million, compared to a deficit of £13.1 million at 31 December 2007 with scheme assets of £393.8 million. A full triennial valuation of the pension scheme was completed at 31 December 2007 and the Group is currently discussing future funding with the Trustees of the pension scheme.

Strategy

Group strategy remains firmly focussed on the provision of news and information to the local communities we serve, thereby enabling advertisers to achieve high levels of market reach to promote their goods and services. With our digital channels now firmly established as an integral part of our publishing mix at the local level, we are achieving real growth in the size of the audience we are reaching. Our strategy is aimed at further increasing audience reach thereby providing advertisers with improved response.

We are committed to the continued expansion of our digital media offering through ongoing and increasing levels of organic investment as we continue to develop our local cross-media franchises. We also continue to pursue a strategy of layering our markets with specialist print publications which complement our core newspaper titles. The objective of this is to reach new audiences and to attract new advertising revenues.

Organisation

Following completion of the equity fund raising exercise in June of this year, Ralph Marshall, an Executive Director of Usaha Tegas, was appointed to the Board as their nominee Director. He brings a considerable breadth of business experience to the Board.

As indicated in the Chairman's Statement in the 2007 Annual Report, the Group is seeking to make two new non-executive appointments to replace Les Hinton, who left the Board in December 2007 and Peter Cawdron, who will stand down at the AGM in April 2009. The first of those appointments was made in July with the announcement that Gavin Patterson, a Director of BT Group plc and Chief Executive of BT Retail, was joining the Board. Gavin's broad business experience and his extensive marketing and consumer expertise will be of particular benefit to the Board.

The process to appoint a new CEO, which was also covered in the Chairman's Statement mentioned above, is making good progress. The Board expects to make a further announcement on this matter in due course to meet the timescale previously indicated.

The past six months has been a very testing time for the Group and the fact that we have been able to deliver these trading results in difficult circumstances owes a great deal to the continued dedication and enthusiasm of our staff for which I thank them.

Outlook

As indicated above, advertising trends have continued to deteriorate over the course of the year and future performance will inevitably be linked to the economies of the UK and to a lesser extent that of the Republic of Ireland. In response to the current challenging circumstances, we continue to actively manage our cost base to achieve productivity gains and in a manner which will protect the long term prospects of the Group. We expect to deliver a result reflective of these initiatives and the difficult market conditions.

Tim Bowdler

Chief Executive Officer

27 August 2008

Responsibility Statement

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- (b) the Chief Executive's Half Year Statement includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the Chief Executive's Half Year Statement includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Tim Bowdler
Chief Executive Officer

27 August 2008

Stuart Paterson
Chief Financial Officer

27 August 2008

Independent Review Report to Johnston Press plc 26 Weeks to 30 June 2008

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 30 June 2008 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 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 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 half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditor
Edinburgh, United Kingdom
27 August 2008

Group Income Statement (unaudited)
26 Weeks to 30 June 2008

| | Notes | 26 weeks to 30.06.08 | | | 26 weeks to 30.06.07 | | | 52 Weeks to 31.12.07 |
|---|-------|---|-------------------------------------|------------------|---|-------------------------------------|----------------|-------------------------------|
| | | Before non- recurring items £'000 | Non- recurring items £'000 | Total £'000 | Before non- recurring items £'000 | Non- recurring items £'000 | Total £'000 | Total £'000 |
| Revenue | 3a | 293,059 | — | 293,059 | 312,782 | — | 312,782 | 607,504 |
| Cost of sales | | (153,101) | — | (153,101) | (156,717) | — | (156,717) | (311,756) |
| Gross profit | | 139,958 | — | 139,958 | 156,065 | — | 156,065 | 295,748 |
| Operating expenses | 3d/4 | (58,311) | (1,864) | (60,175) | (59,319) | (3,096) | (62,415) | (124,435) |
| Impairment of intangibles | 3d/4 | — | (109,000) | (109,000) | — | — | — | — |
| Intangible adjustment | 3d/4 | — | (5,312) | (5,312) | — | (5,669) | (5,669) | (5,874) |
| Total operating expenses | | (58,311) | (116,176) | (174,487) | (59,319) | (8,765) | (68,084) | (130,309) |
| Operating profit/(loss) | 3 | 81,647 | (116,176) | (34,529) | 96,746 | (8,765) | 87,981 | 165,439 |
| Investment income | 8 | 564 | — | 564 | 249 | — | 249 | 607 |
| Net finance income on pension assets/liabilities | 9a | 1,809 | — | 1,809 | 2,234 | — | 2,234 | 4,514 |
| Finance costs | 9b | (21,530) | — | (21,530) | (22,955) | — | (22,955) | (45,922) |
| Share of results of associates | | 36 | — | 36 | 38 | — | 38 | 76 |
| Profit/(loss) before tax | | 62,526 | (116,176) | (53,650) | 76,312 | (8,765) | 67,547 | 124,714 |
| Tax | 5 | (17,024) | 5,843 | (11,181) | (21,177) | 26,858 | 5,681 | (11,159) |
| Profit/(loss) for the period | | 45,502 | (110,333) | (64,831) | 55,135 | 18,093 | 73,228 | 113,555 |
| Earnings per share (p) | 7 | | | | | | | |
| - Basic (restated) | | 10.59 | (25.72) | (15.13) | 14.04 | 4.61 | 18.65 | 28.91 |
| - Diluted (restated) | | 10.59 | (25.72) | (15.13) | 14.02 | 4.61 | 18.63 | 28.86 |

All of the revenue and profit/(loss) above is derived from continuing operations.

Group Balance Sheet (unaudited)
At 30 June 2008

| | Notes | 30.06.08 £'000 | 30.06.07 £'000 | 31.12.07 £'000 |
|----------------------------------|-------|-------------------|-------------------|-------------------|
| Non-current assets | | | | |
| Goodwill | 14 | 51,287 | 127,464 | 130,010 |
| Other intangible assets | 14 | 1,354,424 | 1,363,682 | 1,373,614 |
| Property, plant and equipment | | 273,099 | 281,612 | 273,381 |
| Available-for-sale investments | | 2,712 | 2,712 | 2,712 |
| Interests in associates | | 75 | 1 | 39 |
| Trade and other receivables | | 2 | 466 | 31 |
| Derivative financial instruments | 10 | 9,524 | 11,316 | 4,192 |
| | | 1,691,123 | 1,787,253 | 1,783,979 |
| Current assets | | | | |
| Inventories | | 3,703 | 4,260 | 4,334 |
| Trade and other receivables | 17 | 180,326 | 100,124 | 89,533 |
| Cash and cash equivalents | | 30,433 | 25,693 | 17,470 |
| | | 214,462 | 130,077 | 111,337 |
| Total assets | | 1,905,585 | 1,917,330 | 1,895,316 |
| Current liabilities | | | | |
| Trade and other payables | | 68,327 | 81,288 | 77,120 |
| Tax liabilities | 17 | 104,412 | 14,479 | 17,612 |
| Obligations under finance leases | | 14 | 4 | — |
| Retirement benefit obligation | 15 | 3,100 | 4,548 | 3,300 |
| Bank overdrafts and loans | | 6,767 | 10,696 | 15,714 |
| | | 182,620 | 111,015 | 113,746 |
| Non-current liabilities | | | | |
| Borrowings | | 487,054 | 727,022 | 672,834 |
| Retirement benefit obligation | 15 | 5,296 | 2,458 | 9,843 |
| Derivative financial instruments | 10 | 15,825 | 22,732 | 16,082 |
| Deferred tax liabilities | | 396,579 | 393,155 | 395,320 |
| Trade and other payables | | 1,427 | 1,963 | 2,094 |
| Long term provisions | | 1,571 | 2,419 | 1,622 |
| | | 907,752 | 1,149,749 | 1,097,795 |
| Total liabilities | | 1,090,372 | 1,260,764 | 1,211,541 |
| Net assets | | 815,213 | 656,566 | 683,775 |
| Equity | | | | |
| Share capital | | 65,080 | 29,917 | 29,944 |
| Share premium account | | 502,819 | 332,040 | 332,750 |
| Share-based payments reserve | | 9,882 | 6,268 | 8,679 |
| Revaluation reserve | | 2,427 | 2,110 | 2,459 |
| Own shares | | (3,435) | (3,435) | (3,435) |
| Hedging and translation reserve | | 16,980 | 6,781 | 8,131 |
| Retained earnings | | 221,460 | 282,885 | 305,247 |
| Total equity | | 815,213 | 656,566 | 683,775 |

Group Cash Flow Statement (unaudited)
26 Weeks to 30 June 2008

| | Notes | 26 Weeks to 30.06.08 £'000 | 26 Weeks to 30.06.07 £'000 | 52 Weeks to 31.12.07 £'000 |
|---|-------|----------------------------------|----------------------------------|----------------------------------|
| Cash flows from operating activities | | | | |
| Cash generated from operations | 11 | 78,993 | 94,640 | 193,846 |
| Income tax paid | | (7,994) | (10,855) | (20,211) |
| Net cash from operating activities | | 70,999 | 83,785 | 173,635 |
| Investing activities | | | | |
| Interest received | | 562 | 249 | 607 |
| Dividends received from associated undertakings | | 2 | 70 | 70 |
| Proceeds on disposal of property, plant and equipment | | 11 | 829 | 5,461 |
| Proceeds on disposal of business | | — | — | 114 |
| Purchases of property, plant and equipment | | (16,441) | (19,013) | (31,027) |
| Acquisition of businesses | | (1,529) | (11,413) | (11,413) |
| Net cash in businesses acquired | | 51 | 1 | 1 |
| Net cash in subsidiaries sold | | — | — | (10) |
| Net cash used in investing activities | | (17,344) | (29,277) | (36,197) |
| Financing activities | | | | |
| Dividends paid | | (19,345) | (17,894) | (27,456) |
| Interest paid | | (22,135) | (23,892) | (46,538) |
| Interest paid on finance leases | | — | (1) | (5) |
| Repayment of borrowings | | (195,467) | (21,240) | (77,830) |
| Repayment of loan notes | | — | — | (8,272) |
| Principal payments under finance leases | | (3) | — | — |
| Issue of shares | | 42,744 | 775 | 1,512 |
| Net proceeds from rights issue | | 162,461 | — | — |
| (Decrease)/increase in bank overdrafts | | (8,947) | 8,801 | 13,985 |
| Net cash used in financing activities | | (40,692) | (53,451) | (144,604) |
| Net increase/(decrease) in cash and cash equivalents | | 12,963 | 1,057 | (7,166) |
| Cash and cash equivalents at the beginning of period | | 17,470 | 24,636 | 24,636 |
| Cash and cash equivalents at the end of period | | 30,433 | 25,693 | 17,470 |

Group Statement of Recognised Income and Expense (unaudited)
26 Weeks to 30 June 2008

| | Revaluation Reserve | Hedging and Translation Reserve | Retained Earnings | Total |
|--|------------------------|--|----------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Loss for the period | — | — | (64,831) | (64,831) |
| Actuarial gain on defined benefit pension schemes (net of tax) | — | — | 699 | 699 |
| Revaluation adjustment | (32) | — | 32 | — |
| Exchange differences on translation of foreign operations | — | 4,788 | — | 4,788 |
| Change in fair value of financial instruments (note 10) | — | 5,589 | — | 5,589 |
| Deferred taxation | — | (1,528) | (342) | (1,870) |
| Total recognised income and expense | (32) | 8,849 | (64,442) | (55,625) |

Group Statement of Recognised Income and Expense (unaudited)
26 Weeks to 30 June 2007

| | Revaluation Reserve | Hedging and Translation Reserve | Retained Earnings | Total |
|--|------------------------|--|----------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Profit for the period | — | — | 73,228 | 73,228 |
| Actuarial gain on defined benefit pension schemes (net of tax) | — | — | 23,099 | 23,099 |
| Revaluation adjustment | (412) | — | 412 | — |
| Exchange differences on translation of foreign operations | — | 231 | — | 231 |
| Change in fair value of financial instruments | — | 3,205 | — | 3,205 |
| Deferred taxation | — | (961) | — | (961) |
| Change in deferred tax rate to 28% | — | 194 | (297) | (103) |
| Total recognised income and expense | (412) | 2,669 | 96,442 | 98,699 |

Group Reconciliation of Shareholders' Equity (unaudited)
26 Weeks to 30 June 2008

| | 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 | 29,944 | 332,750 | 8,679 | 2,459 | (3,435) | 8,131 | 305,247 | 683,775 |
| Total recognised income and expense | — | — | — | (32) | — | 8,849 | (64,442) | (55,625) |
| Recognised directly in equity | | | | | | | | |
| Dividends - note 6 | — | — | — | — | — | — | (19,345) | (19,345) |
| New share capital subscribed | 35,136 | 170,069 | — | — | — | — | — | 205,205 |
| Provision for share -based payments | — | — | 1,203 | — | — | — | — | 1,203 |
| Net change directly in equity | 35,136 | 170,069 | 1,203 | — | — | — | (19,345) | 187,063 |
| Total movements | 35,136 | 170,069 | 1,203 | (32) | — | 8,849 | (83,787) | 131,438 |
| Equity at the end of the period | 65,080 | 502,819 | 9,882 | 2,427 | (3,435) | 16,980 | 221,460 | 815,213 |

Group Reconciliation of Shareholders' Equity (unaudited)
26 Weeks to 30 June 2007

| | Share Capital £'000 | Share Premium £'000 | Share- based Payments Reserve £'000 | Revaluation Reserve £'000 | Own Shares £'000 | Hedging and Translation Reserve £'000 | Retained Earnings £'000 | Total £'000 |
|--|---------------------------|---------------------------|---|---------------------------------|------------------------|--|-------------------------------|----------------|
| Opening balances | 29,893 | 331,289 | 4,265 | 2,522 | (1,628) | 4,112 | 203,360 | 573,813 |
| Total recognised income and expense | — | — | — | (412) | — | 2,669 | 96,442 | 98,699 |
| Recognised directly in equity | | | | | | | | |
| Dividends - note 6 | — | — | — | — | — | — | (17,894) | (17,894) |
| New share capital subscribed | 24 | 751 | — | — | — | — | — | 775 |
| Exercise of share- based payments | — | — | (977) | — | — | — | 977 | — |
| Provision for share- based payments | — | — | 1,173 | — | — | — | — | 1,173 |
| Reclassification | — | — | 1,807 | — | (1,807) | — | — | — |
| Net change directly in equity | 24 | 751 | 2,003 | — | (1,807) | — | (16,917) | (15,946) |
| Total movements | 24 | 751 | 2,003 | (412) | (1,807) | 2,669 | 79,525 | 82,753 |
| Equity at the end of the period | 29,917 | 332,040 | 6,268 | 2,110 | (3,435) | 6,781 | 282,885 | 656,566 |

Notes to the Interim Financial Information (unaudited)

1. Basis of Preparation

The condensed financial information for the 26 weeks to 30 June 2008 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 condensed financial information in respect of the 52 weeks ended 31 December 2007 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 2007 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 2008 will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU ("IFRS"). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. This Interim Report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules. It is expected that IFRIC 14 will be adopted by the EU before 31 December 2008. IFRIC 14 has been taken into consideration in valuing the pension scheme at 30 June 2008 although it has no financial impact. 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 27 August 2008 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 2008 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 2007. A copy of these financial statements is available from the Company's registered office at 53 Manor Place, Edinburgh EH3 7EG.

Notes to the Interim Financial Information (unaudited) - continued

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.

On 7 March 2008 the Group acquired Clonnad Ltd, a company which publishes a free newspaper in Tipperary in the Republic of Ireland. The trading results for the 16 weeks to 30 June 2008 are not material to the Group's results and therefore have not been disclosed separately.

a) Revenue

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

| | 26 Weeks to 30.06.08 £'000 | 26 Weeks to 30.06.07 £'000 | 52 Weeks to 31.12.07 £'000 |
|----------------------|---|----------------------------------|----------------------------------|
| Newspaper publishing | 274,490 | 296,534 | 572,488 |
| Contract printing | 18,569 | 16,248 | 35,016 |
| Revenue sub total | 293,059 | 312,782 | 607,504 |
| Investment income | 564 | 249 | 607 |
| Total revenue | 293,623 | 313,031 | 608,111 |

The contract printing revenue excludes inter group revenue of £39.0 million in the 26 weeks to 30 June 2008, £43.3 million in the 26 weeks to 30 June 2007 and £86.0 million in the 52 weeks to 31 December 2007.

b) Operating profit before non-recurring items and interests in associates

An analysis is as follows:

| | 26 Weeks to 30.06.08 £'000 | 26 Weeks to 30.06.07 £'000 | 52 Weeks to 31.12.07 £'000 |
|----------------------|---|----------------------------------|----------------------------------|
| Newspaper publishing | 76,314 | 91,989 | 169,069 |
| Contract printing | 5,333 | 4,757 | 9,073 |
| | 81,647 | 96,746 | 178,142 |

Notes to the Interim Financial Information (unaudited) - continued

3. Business Segments (continued)

c) Operating (loss)/profit

An analysis of the Group's operating (loss)/profit is as follows:

| | 26 Weeks to 30.06.08 £'000 | 26 Weeks to 30.06.07 £'000 | 52 Weeks to 31.12.07 £'000 |
|--------------------------------|---|----------------------------------|----------------------------------|
| Newspaper publishing | (38,950) | 84,621 | 158,060 |
| Contract printing | 4,421 | 3,360 | 7,379 |
| Operating (loss)/profit | (34,529) | 87,981 | 165,439 |

d) Operating expenses

An analysis is as follows:

| | 26 Weeks to 30.06.08 £'000 | 26 Weeks to 30.06.07 £'000 | 52 Weeks to 31.12.07 £'000 |
|--|---|----------------------------------|----------------------------------|
| Distribution costs | 22,613 | 22,537 | 46,156 |
| Administrative expenses before non-recurring items | 35,698 | 36,782 | 71,450 |
| | 58,311 | 59,319 | 117,606 |
| Non-recurring items (note 4) | | | |
| Administrative expenses | 1,864 | 3,096 | 6,829 |
| Intangible adjustment | 5,312 | 5,669 | 5,874 |
| Impairment of intangibles | 109,000 | — | — |
| | 174,487 | 68,084 | 130,309 |

4. Non-Recurring Items

Non-recurring items within operating expenses are:

| | 26 Weeks to 30.06.08 £'000 | 26 Weeks to 30.06.07 £'000 | 52 Weeks to 31.12.07 £'000 |
|---|---|----------------------------------|----------------------------------|
| Restructuring costs of | | | |
| Existing businesses | 1,864 | 3,096 | 7,361 |
| Newly acquired businesses | — | — | 502 |
| Intangible adjustment | 5,312 | 5,669 | 5,874 |
| Impairment of intangibles | 109,000 | — | — |
| Profit on sale of property in existing businesses | — | — | (1,884) |
| Loss on disposal of businesses | — | — | 850 |
| Non-recurring items | 116,176 | 8,765 | 12,703 |

Notes to the Interim Financial Information (unaudited)
- continued

4. Non-Recurring Items (continued)

The Group tests goodwill and publishing titles every six months for impairment by preparing cash flow forecasts derived from the most recent financial forecast for the current financial year. These forecasts are discounted over a 20 year period and compared to the carrying value of the asset. Given the current difficult trading climate and the year end forecast for 2008, this has resulted in an impairment write off of £109 million at the end of the period. The impairment impacts the recent acquisitions in 2005 and 2006, particularly in the Republic of Ireland as well as Northern Ireland and Scotland.

The intangible adjustment above is an equal and opposite offset to the deferred tax adjustment in both periods and is explained in note 5b.

5. Tax

a) The tax charge/(credit) comprises

| | 26 Weeks to 30.06.08 £'000 | 26 Weeks to 30.06.07 £'000 | 52 Weeks to 31.12.07 £'000 |
|---|---|----------------------------------|----------------------------------|
| Corporation tax | 14,814 | 17,357 | 29,849 |
| Deferred tax | | | |
| Charge for year | 1,679 | 2,891 | 7,515 |
| Credit relating to change in tax rate on titles held on adoption of IFRS and other timing differences | — | (20,260) | (20,331) |
| Credit relating to change in tax rate on titles acquired since 1 January 2005 | — | (5,669) | (5,874) |
| Deferred taxation adjustment relating to the impairment of publishing titles | (5,312) | — | — |
| Total tax charge/(credit) | 11,181 | (5,681) | 11,159 |
| Reconciliation of tax charge/(credit) | | | |
| Standard rate of corporation tax | 28.5% | 30% | 30% |
| (Loss)/profit before tax at standard corporation tax rate | (15,290) | 20,264 | 37,414 |
| Tax effect of items that are not deductible or not taxable | | | |
| in determining taxable profit | 25,131 | 97 | 2,085 |
| Tax effect of share of results of associate | — | — | 23 |
| Gain on sale of properties rolled over | — | — | (565) |
| Effect of different tax rates on subsidiaries | 1,287 | (1,430) | (1,558) |
| Change in tax rate to 28% net of goodwill adjustment | — | (24,228) | (26,205) |
| Other items | 76 | (437) | (16) |
| (Under)/over provision in prior years | (23) | 53 | (19) |
| Total tax charge/(credit) | 11,181 | (5,681) | 11,159 |

Corporation tax for the interim period is charged at 20.8% (2007: credited at 8.4%).

The basic UK tax rate applied for the 2008 period of 28.5% (2007: 30%) is a blended rate due to the tax rate of 30% in effect for the first quarter of 2008, changing to 28% from 1 April 2008 under the 2007 Finance Act. There is no taxation adjustment on the impairment of goodwill.

Notes to the Interim Financial Information (unaudited) - continued

5. Tax

a) The tax charge/(credit) comprises (continued)

The 2007 tax credit reflected a credit in the deferred tax relating to the reduction in the corporation tax rate from 30% to 28%.

The changes to capital allowances on industrial buildings enacted by the Finance Act 2008, passed after 30 June 2008, will result in a non-recurring tax charge of £10 million. This will be reflected in the annual accounts to 31 December 2008.

b) Intangible adjustment

The tax credit of £5,312,000 in the 26 weeks to 30 June 2008 reflects the deferred tax on the impairment of publishing titles in the Republic of Ireland at the local rate of 20%.

The deferred tax provision was originally created with an equal and opposite offset in goodwill. The entire value of goodwill relating to acquisitions in the Republic of Ireland has been written off as part of the impairment of goodwill in note 4. With the reduction in the deferred tax provision, IFRS requires the tax adjustment to be flowed through the Income Statement. This leaves an unmatched intangible asset balance which, in the lack of any goodwill balance outstanding, has to be written off against publishing titles.

The adjustment in the 26 weeks to 30 June 2007 related to the reduction in the deferred tax rate from 30% to 28%. Once again IFRS required this to be flowed through the Income Statement leaving an unmatched goodwill balance which had to be written off as evident in note 4.

6. Dividends

| | 26 Weeks to 30.06.08 £'000 | 26 Weeks to 30.06.07 £'000 | 52 Weeks to 31.12.07 £'000 |
|---|---|----------------------------------|----------------------------------|
| Amounts recognised as distributions in the period: | | | |
| Dividends paid | | | |
| Ordinary | 19,269 | 17,818 | 27,304 |
| Preference | 76 | 76 | 152 |
| | 19,345 | 17,894 | 27,456 |
| | Pence | Pence | Pence |
| Dividend paid per share | | | |
| Ordinary | 6.700 | 6.200 | 9.500 |
| Preference | 6.875 | 6.875 | 6.875 |
| | £'000 | £'000 | £'000 |
| Dividend proposed but not paid or included in the accounting records | — | 9,486 | 19,322 |
| | Pence | Pence | Pence |
| Dividend proposed per share | — | 3.3 | 6.7 |

Reflecting the intentions regarding dividend policy as expressed in the Rights Issue prospectus, the Board has decided to pay no interim dividend. This policy, together with the trading performance during the second half of the year, will be taken into account when setting the final dividend for 2008. In the short term, the Board believes the most important use of available cash is to reduce the Group's net debt position.

Notes to the Interim Financial Information (unaudited)
- continued

7. Earnings Per Share

| | 26 Weeks to 30.06.08 £'000 | Restated 26 Weeks to 30.06.07 £'000 | Restated 52 Weeks to 31.12.07 £'000 |
|---|---|--|--|
| (Loss)/profit for the period | (64,831) | 73,228 | 113,555 |
| Preference dividend | (76) | (76) | (152) |
| (Loss)/profit after tax for basic EPS earnings | (64,907) | 73,152 | 113,403 |
| Non-recurring items (after tax) – see notes 4 & 5 | 110,333 | (18,093) | (15,014) |
| Underlying EPS earnings | 45,426 | 55,059 | 98,389 |
| Number of shares | 000's | 000's | 000's |
| Weighted number of ordinary shares for the purpose of basic EPS | 428,856 | 392,096 | 392,240 |
| Effect of dilutive potential ordinary shares – share options | 2 | 618 | 727 |
| Number of shares – diluted earnings per share | 428,858 | 392,714 | 392,967 |

| | 26 Weeks to 30.06.08 Pence | Restated 26 Weeks to 30.06.07 Pence | Restated 52 Weeks to 31.12.07 Pence |
|-------------------------------|---|--|--|
| Earnings per share | | | |
| Underlying earnings per share | 10.59 | 14.04 | 25.08 |
| Non-recurring items | (25.72) | 4.61 | 3.83 |
| Earnings per share – basic | (15.13) | 18.65 | 28.91 |
| Earnings per share – diluted | (15.13) | 18.63 | 28.86 |

In the current period, the weighted average number of shares has increased due to the placing of shares with Usaha Tegas on 30 May 2008 and the 1 for 1 Rights Issue on 23 June 2008. Further details of the movement in shares are shown in note 16. The weighted average number of shares, and therefore the earnings per share, for the previous periods in 2007 have been restated to reflect the dilution factor of the Rights Issue.

In the 26 weeks to 30 June 2008 the basic earnings per share has been adversely affected by the non-recurring £109 million charge for the impairment of goodwill and publishing titles. This has no impact on the underlying earnings per share calculation.

In the prior period earnings per share benefited from the reduction of 2% in the rate of corporation tax within the 2007 Finance Act. The UK deferred tax provision was reduced by 2% and, in line with IFRS, the majority of this impact was reflected in the Income Statement because it referred to the deferred tax on the value of the Group's publishing titles. The tax charge was reduced by £25,929,000 as a consequence. This had no impact on the underlying EPS calculation.

Notes to the Interim Financial Information (unaudited)
- continued

8. Investment Income

| | 26 Weeks to 30.06.08 £'000 | 26 Weeks to 30.06.07 £'000 | 52 Weeks to 31.12.07 £'000 |
|--|---|----------------------------------|----------------------------------|
| Interest on bank deposits | 562 | 203 | 554 |
| Income from available-for-sale investments | 2 | 46 | 53 |
| | 564 | 249 | 607 |

9. Finance Costs

a) Net finance income on pension assets/liabilities

| | 26 Weeks to 30.06.08 £'000 | 26 Weeks to 30.06.07 £'000 | 52 Weeks to 31.12.07 £'000 |
|--|---|----------------------------------|----------------------------------|
| Interest on pension liabilities | 11,728 | 10,701 | 21,303 |
| Expected return on pension assets | (13,537) | (12,935) | (25,817) |
| Net finance income on pension assets/liabilities | (1,809) | (2,234) | (4,514) |

b) Finance costs

| | | | |
|--|---------------|--------|--------|
| Interest on bank overdrafts and loans | 21,334 | 22,759 | 45,532 |
| Interest on obligations under finance leases | 1 | 1 | 1 |
| Amortisation of term debt issue costs | 195 | 195 | 389 |
| Total finance costs | 21,530 | 22,955 | 45,922 |

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:

| | £'000 Assets | £'000 Liabilities |
|---|-------------------------|------------------------------|
| Cross-currency and other interest rate swaps | | |
| Closing balance at 31 December 2007 | 4,192 | (16,082) |
| Movement in fair value during the period including exchange movements | 5,332 | 257 |
| Closing balance at 30 June 2008 | 9,524 | (15,825) |
| Current | — | — |
| Non-current | 9,524 | (15,825) |

Notes to the Interim Financial Information (unaudited)
- continued

11. Notes to the Cash Flow Statement

| | 26 Weeks to 30.06.08 £'000 | 26 Weeks to 30.06.07 £'000 | 52 Weeks to 31.12.07 £'000 |
|--|---|----------------------------------|----------------------------------|
| Operating (loss)/profit | (34,529) | 87,981 | 165,439 |
| Adjustment for: | | | |
| Intangible adjustment - non-recurring | 5,312 | 5,669 | 5,874 |
| Impairment of intangibles - non-recurring | 109,000 | — | — |
| Depreciation of property, plant and equipment | 12,466 | 11,515 | 24,052 |
| Cost of LTIP benefits | 1,203 | 1,173 | 2,607 |
| Loss/(profit) on disposal of property, plant and equipment | 103 | (87) | (2,103) |
| Currency differences | 1,312 | 444 | 473 |
| IAS 19 pension funding | (1,755) | (150) | (2,724) |
| Loss on disposal of business | — | — | 850 |
| Decrease in inventories | 631 | 1,546 | 1,357 |
| Increase in receivables | (10,617) | (17,362) | (6,560) |
| (Decrease)/increase in payables | (4,133) | 3,911 | 4,581 |
| Cash generated from operations | 78,993 | 94,640 | 193,846 |

Notes to the Interim Financial Information (unaudited)
- continued

12. Net Debt

| | 01.01.08 £'000 | Cash Flow £'000 | Acquisitions £'000 | Non-cash Changes £'000 | 30.06.08 £'000 |
|---------------------------------|-------------------|-----------------------|-----------------------|------------------------------|---------------------------------|
| Net debt | | | | | |
| Debts due after one year | | | | | |
| Bank loans | (478,446) | 195,467 | — | (9,363) | (292,342) |
| 2003 10 year senior notes | (117,578) | — | — | (55) | (117,633) |
| 2006 8 and 10 year senior notes | (77,605) | — | — | (74) | (77,679) |
| Term debt issue costs | 795 | — | — | (195) | 600 |
| | (672,834) | 195,467 | — | (9,687) | (487,054) |
| Debts due within one year | | | | | |
| Bank overdraft | (16,104) | 8,947 | — | — | (7,157) |
| Finance leases | — | 3 | (17) | — | (14) |
| Term debt issue costs | 390 | — | — | — | 390 |
| | (15,714) | 8,950 | (17) | — | (6,781) |
| Cash and cash equivalents | 17,470 | 12,963 | — | — | 30,433 |
| Impact of currency hedges | (20,645) | — | — | 129 | (20,516) |
| Net debt | (691,723) | 217,380 | (17) | (9,558) | (483,918) |

The analysis of net debt is as follows:

| | 30.06.08 £'000 | 30.06.07 £'000 | 31.12.07 £'000 |
|--|---------------------------------|-------------------|-------------------|
| Cash and cash equivalents | 30,433 | 25,693 | 17,470 |
| Bank overdrafts | (7,157) | (10,921) | (16,104) |
| Net cash balances | 23,276 | 14,772 | 1,366 |
| Debt due within one year - term debt issue costs | 390 | 225 | 390 |
| Debt due after one year | (487,054) | (727,022) | (672,834) |
| Finance leases | (14) | (4) | — |
| Impact of currency hedge contracted rates | (20,516) | (21,091) | (20,645) |
| Bank loans, loan notes and finance leases | (507,194) | (747,892) | (693,089) |
| Net debt | (483,918) | (733,120) | (691,723) |

Notes to the Interim Financial Information (unaudited) - continued

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:

| | 30.06.08 £'000 | 30.06.07 £'000 | 31.12.07 £'000 |
|--------------------------------|---------------------------------|-------------------|-------------------|
| Included in operating expenses | 1,203 | 1,173 | 2,607 |

The cumulative provision for share-based payments of £9,882,000 (2007: £6,268,000) is shown as a reserve on the Balance Sheet.

14. Acquisition and Intangible Assets

On 7 March 2008, the Group acquired Clonnad Ltd which publishes one main title, South Tipp Today, for a cash consideration of £1,459,000 together with £70,000 of costs. This transaction has been accounted for by the purchase method of accounting. Of the net assets acquired, £1,447,000 related to the value of the publishing titles.

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

| | Goodwill £'000 | Publishing Titles £'000 |
|--------------------------------------|-------------------|-------------------------------|
| Cost | | |
| At 1 January 2008 | 130,010 | 1,373,614 |
| Acquisition | 289 | 1,447 |
| Non-recurring adjustment (note 5b) | — | (5,312) |
| Exchange movements | 3,430 | 11,233 |
| At 30 June 2008 | 133,729 | 1,380,982 |
| Accumulated impairment losses | | |
| At 1 January 2008 | — | — |
| Impairment losses for the period | (82,442) | (26,558) |
| At 30 June 2008 | (82,442) | (26,558) |
| Carrying amount | | |
| At 30 June 2008 | 51,287 | 1,354,424 |
| At 31 December 2007 | 130,010 | 1,373,614 |

Notes to the Interim Financial Information (unaudited)
- continued

15. Retirement Benefit Obligation

The valuation of the Group's pension scheme is updated at the end of each accounting year and at the half year. Full details of the valuation at 31 December 2007 are outlined in the financial statements to that date. The major assumptions and disclosures for the 26 weeks to 30 June 2008 and the 52 weeks to 31 December 2007 are as follows.

Major assumptions:

| | Valuation at 30.06.08 | Valuation at 31.12.07 |
|--|---|----------------------------------|
| Discount rate | 6.5% | 5.8% |
| Expected return on scheme assets | 6.9% | 6.9% |
| Expected rate of salary increases | 4.3% | 4.1% |
| Future pension increases | 3.8% | 3.1% |
| Life expectancy | | |
| Male | 20.0 years | 18.1 years |
| Female | 22.6 years | 21.0 years |
| | 26 Weeks to 30.06.08 £'000 | 52 Weeks to 31.12.07 £'000 |
| Amounts recognised in the Income Statement in respect of defined benefit schemes: | | |
| Current service cost | 1,552 | 3,977 |
| Interest cost | 11,728 | 21,303 |
| Expected return on scheme assets | (13,537) | (25,817) |
| | (257) | (537) |
| | 30.06.08 £'000 | 31.12.07 £'000 |
| Amounts included in the Balance Sheet: | | |
| Present value of defined benefit obligations | 365,894 | 406,900 |
| Fair value of scheme assets | (357,498) | (393,757) |
| Total liability recognised in Balance Sheet | 8,396 | 13,143 |
| Amount included in current liabilities | (3,100) | (3,300) |
| Amount included in non-current liabilities | 5,296 | 9,843 |

Notes to the Interim Financial Information (unaudited) - continued

16. Rights Issue and Share Capital

The ordinary share capital of the Group increased significantly during the period. It was increased from 390,000,000 to 860,000,000 ordinary shares at an Extraordinary General Meeting on 30 May 2008.

The movement of the issued ordinary share capital of the Group during the period was:

| | Number |
|---|--------------------|
| At 1 January 2008 | 288,380,658 |
| Exercise of share options | 2,237 |
| Placing of shares to Usaha Tegas on 30 May after shareholder approval | 31,486,988 |
| Rights Issue of 1 for 1 approved at the EGM | 319,869,883 |
| <hr/> | |
| At 30 June 2008 | 639,739,766 |

The placing of shares with Usaha Tegas was at a price of £1.3575, which was the closing price on 13 May 2008, the day before the proposed placing and Rights Issue were announced. The 1 for 1 Rights Issue was at a price of 53p per share.

17. Tax Assessment

In March 2004, HMRC issued a tax assessment for £86 million against one of the RIM Group companies Johnston Press acquired in 2002. The assessment relates to the sale of the RIM companies by United Business Media Plc (UBM) in 1998. At a Special Commissioner's hearing in 2006, the Chairman ruled in favour of HMRC. This decision was appealed to the High Court and in March 2007 the Judge upheld the decision of the Special Commissioner. An appeal was lodged with the Court of Appeal and was heard earlier this year. By a majority verdict, the Court of Appeal upheld the decision of the High Court and refused leave to appeal to the House of Lords. Whilst UBM has announced its intention to petition the House of Lords, it is far from certain that this will be granted. In the circumstances the Board has felt it necessary to provide for the estimated tax liability and the debtor due from UBM under the terms of the full tax indemnity. Following discussions with UBM and a review of its financial statements an estimated tax liability of £80 million has been provided with an equal offset in debtors. In the event that the liability is proved to be a higher sum, this will be recoverable from UBM under the terms of tax indemnity. There is no impact on net assets as a result of these entries.