



Johnston Press plc

PRESS RELEASE

11 March 2010

RESULTS FOR THE 53 WEEKS ENDED 2 JANUARY 2010

Johnston Press plc, one of the leading multi-platform community media groups in the UK and Ireland, announces results for the 53 weeks ended 2 January 2010.

KEY FINANCIALS

	Underlying*		% change vs underlying	Statutory	
	2009 £'m	2008 £'m		2009 £'m	2008 £'m
Revenue	428.0	531.9	(19.5)	428.0	531.9
Operating (loss)/profit	71.8	128.4	(44.1)	(90.6)	(399.7)
(Loss)/profit before tax	43.3	98.8	(56.2)	(113.8)	(429.3)
Earnings per share	pence	pence		pence	pence
- basic	5.53	13.41	(58.8)	(13.66)	(68.0)

* before non-recurring and IAS21/39 items (see page 14)

- Despite tough conditions, the period since Q2 2009 has seen a measure of month on month stability returning to markets in which we operate.
- Results reflect a significant decline in advertising revenues, particularly in early part of the year, partially offset by further substantial cost savings, giving an operating margin of 16.8%*.
- Like-for-like advertising fell by 26.5% on 2008. The rate of decline reduced throughout the period with the first quarter down 33.9% and the final quarter down 11.2%.
- Improving trend continuing into 2010 with like-for-like decline of 7.3% in first 9 weeks.
- Like-for-like newspaper sales revenues down 1.8% with an above industry average circulation performance.
- The Group continues to deliver market leading operating margins and operations remain cash generative.
- Successful refinancing of debt facilities in August 2009, extending maturity to September 2012. Net debt (excl. term debt issue costs) down by £55.3m to £422.1m at the period end, despite incurring over £15m of non-recurring cash costs and refinancing fees of £16m.
- Board's short term priority remains debt reduction. No final dividend is proposed.

Summarising the current position, John Fry, Chief Executive said:

"The year ended with the Group in a much stronger position than it began: advertising is more stable; circulation trends have improved; digital revenues are growing; our cost base has reduced significantly and we have renegotiated finance facilities for 3 years. We are therefore well positioned to take advantage of any upturn as it occurs. Since the successful refinancing of our debt announced at the end of August 2009 we have been trading in line with the expectations we had at the time. That being the case we have no immediate plans to raise capital"

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Johnston Press plc

Chairman's Statement

2009 was a difficult year for regional media and Johnston Press has been adapting its business to better meet the challenges of the current market and the changes faced by the industry.

The recessions in the United Kingdom and Republic of Ireland have had a dramatic effect on advertising revenues. Although conditions remain tough, I am pleased to say that the past year has seen a measure of stability returning to the markets in which we operate. Our business continues to deliver market leading operating margins and operations remain cash generative. The year was also marked by the completion of a successful refinancing of our debt facilities in August, providing a stable platform for our future development.

Strategy

Your Board believes that our ability to provide local news, through a variety of media, to the communities in which we operate remains unrivalled. The decline of printed media in general has been well documented, particularly as the number of online news providers continues to increase and there are further developments in the methods of accessing them. Although it remains an integral part of our business we are seeking to complement our in-print offering with additional projects and in particular, focussed commercial development of revenue opportunities within digital media.

We are also increasingly looking to develop collaborative ventures with partners, particularly in the digital field, and a number of projects are underway. Users of our digital services continued to grow markedly during 2009 and the challenge for us now is to enhance the revenues from this increasing audience reach.

Financial Performance

Total revenues during 2009 were £428.0 million, a reduction of £103.9 million on 2008. This reflects the continued decline in advertising revenues, particularly in the early part of the year. Advertising revenues (print and digital) were down by £96.4 million or 26.0% year-on-year. The most badly affected areas were the classified pillars of employment and property, however the latter saw year-on-year growth in both November and December. Motors, which has been our most challenging vertical for a number of years, also saw year-on-year growth in December.

The decline in revenues throughout the year is reflected in the operating profit before non-recurring and IAS 21/39 items of £71.8 million, 44.1% down on the previous year. This figure includes the impact of the 53rd week in 2009 (see page 10) which contributed £2.1 million. This profit level represents an operating margin of 16.8%. Largely this has been achieved by further substantial cost savings being made across the Group as we continue to adapt to the changing trading environment and restructure ourselves for the future.

The pre-tax loss for the year was £113.8 million, with a pre-tax profit of £43.3 million relating to trading before non-recurring and IAS 21/39 items. The non-recurring items related primarily to the impairment of publishing titles, the write-off of the remaining value in the presses that have been closed and a one-off adjustment for the cost of share warrants issued in the year. The balance represents the costs associated with the reduction in headcount during the year.

Net debt (excluding term debt issue costs) at 31 December 2009 was £422.1 million, down from £477.3 million at the beginning of the year. In our Interim Results announcement in August 2009 we reported that an agreement had been reached with our lenders to refinance the Group's debt facility. A three year facility of £485.0 million has been put in place and although the revised arrangements have resulted in an increased cost of borrowing, they have removed the material uncertainty relating to a possible breach of covenant tests which we referred to last year.

Dividend and Share Price

The combination of stability returning to the markets in which we operate, rigorous cost control and the platform provided by our refinancing has helped our share price to rise from 12.75p at 1 January 2009 to 22.25p at 31 December 2009, a modest improvement over the year, although still well below historic levels. In line with our previously stated policy, and in accordance with the provisions of our revised financing arrangements, no dividend is proposed for the year. The Group will continue to use any excess cash to reduce indebtedness.

Board Changes

I became Chairman in March 2009, succeeding Roger Parry who served as Chairman for eight years and, in all, for twelve years as a Director. I would like to take the opportunity to thank him for his dedicated work and leadership during his time on the Board and especially as Chairman.

This year's AGM will be held in Edinburgh on 30 April 2010 and will be marked by the departure from the Board of Freddie Johnston, Peter Cawdron and Martina King. Freddie's departure from the Board is a genuine landmark for the Company. He has served as a Director for over 50 years and, of course, for many years was Chief Executive before becoming Chairman. He will be greatly missed. The Board is also extremely grateful to Peter and Martina for their services as Directors, again over a number of years. Freddie, Peter and Martina leave with our very best wishes for the future.

During 2009 we welcomed Mark Pain and Camilla Rhodes to our Board as Non-Executive Directors. Mark was previously Group Finance Director of Abbey National Group plc before taking on the same role at Barratt Developments Limited. He is a Non-Executive Director of Punch Taverns plc and Northern Rock plc. Camilla enjoyed a very successful career at News International where she was Managing Director of Times Newspapers and News Group Newspapers and brings invaluable publishing experience to the Board. Since the year-end Geoff Iddison, Mastercard's head of e-commerce and m-commerce has also joined the Board as a Non-Executive Director. I am delighted to welcome them all.

Employees

Finally, I want to thank the management and staff throughout the Group for their continual hard work in what have often been very difficult circumstances. Unfortunately it has been necessary to make redundancies as we seek to adapt to the changing markets in which we operate and restructure the business for the future. However, with the continued dedication of our employees I am confident that we can ensure the future success of the Company.

Outlook

Johnston Press has a long track record of delivering industry leading performance and, through the implementation of new technologies and systems together with the successful integration of acquired businesses, has produced sustained operational improvements. These programmes have continued into 2010. In addition, despite the current challenges faced by the Group and our industry sector as a whole, we believe that Johnston Press is well placed to benefit from any cyclical upturn. Since the successful refinancing of our debt announced at the end of August 2009 we have been trading in line with the expectations we had at that time. That being the case we have no immediate plans to raise capital.

Ian Russell

Chairman

Business Review - Strategic Overview

Trading

2009 proved to be an extremely difficult trading year. The economy declined rapidly during the first quarter and this was reflected in our advertising revenue which fell, on a like-for-like basis, by 33.9% on the prior year. This was the worst quarterly decline we have seen during the current economic downturn and proved to be a turning point. Throughout this Business Review, references to like-for-like financials can be taken to mean excluding week 53 from 2009 (see page 10).

Total Group weekly advertising revenues having continued to decline moderately during the first quarter, reached a base level in April and continued at this level, taking into account the seasonality of the business, until the end of the year. As prior year comparisons became lower, we have seen a reduction in our year-on-year advertising decline from a high of -33.9% in the first quarter to -11.2% in the last quarter. As we move into 2010, this trend has continued with advertising being down 7.3% during the first nine weeks. During 2009 classified advertising has been particularly difficult with recruitment falling by 49.4%, property by 42.6% and motors by 24.3% on a like-for-like basis. While there is no sign of improvement in the recruitment market we have seen a turnaround in property advertising which improved from a decline of 57.5% in the first quarter to a fall of only 4.4% in the last quarter.

A more detailed analysis of advertising trends by category is included in the Performance Review.

With advertising declining rapidly, the Group has focussed considerable attention on costs. Overall, operating costs (excluding non-recurring and IAS 21/39 items) in 2009 were £49.3 million lower than in 2008 on a like-for-like basis. This was achieved through consolidation of many back-office processes onto fewer sites, the closure of two printing presses (one in Scotland and another in the Republic of Ireland) and through investment in improved IT systems. While we continue to believe that we must maintain local presence in the markets in which we operate, this presence can be achieved through editorial staff and local advertising sales. Other functions such as printing, pre-press, circulation and telephone advertising sales can be managed better by having fewer sites. This consolidation, accompanied by investment in improved systems, has enabled us to maintain service to customers and editorial quality despite operating the Group with 25% fewer people than 2 years ago. As implementation of these improvements took place throughout the year we anticipate a further reduction in costs in 2010.

Debt Reduction

Despite the fall in advertising, the Group has remained operationally cash generative. Capital expenditure was reduced to a minimum level and excellence in cash collection has enabled us to reduce net debt (excluding term debt issue costs) from £477.3 million at the beginning of the year to £422.1 million at the year end. This reduction has been achieved despite the £14.6 million cash cost associated with reducing the cost base and fees of £16.0 million to facilitate our debt refinancing. While most of the reduction was due to internally generated cash, we were assisted by an improvement in the exchange rate of Sterling against the Euro. Most of this benefit has been locked in by a reduction of our exposure to Euro debt from €173.6 million to €148.0 million.

In order to accelerate the reduction in debt, the sale of our titles in the Republic of Ireland was considered. Despite considerable interest for the assets, a suitable price could not be achieved. A decision was therefore made to abort the sale process, although one small title was sold at the end of the year. No further sales are being contemplated.

Debt Refinancing

At the half year we announced a refinancing of our debt facilities to September 2012. The primary goals of the refinancing were to extend the term of the bank debt and to ensure that we have sufficient flexibility to operate the business throughout the economic downturn. Since the completion of the refinancing we have operated well within the new covenants and expect to continue to do so. Further details of the refinancing are provided on page 12 and in note 10.

Strategy

Print Development

The development and maintenance of our audience is extremely important. While we do not believe that underlying circulation trends can be halted, it is possible to reduce the rate of fall. A series of actions have been implemented including increased organisational focus on circulation, improved availability at those outlets selling the majority of copies and product improvement through increased pagination and the implementation of an editorial review process.

The editorial review process is designed to improve our print products by ensuring that our newspapers focus on the needs of their local communities through a combination of customer research and peer review. This has ensured that our products can remain sharp and continue to serve their communities as these communities develop. The result has been a

reduction in the rate of decline of daily titles from -7.8% in the first half to -6.3% in the second half. Similarly, weekly paid-for titles improved from a decline of -7.2% in the first half to -4.6% in the second.

Launching new media products during a recession typically extends the amount of capital required and the time taken to reach profitability. We have therefore been cautious in investing in product development during the past year. Despite this, our portfolio of magazines has been improved through the outsourcing of design and content. As markets improve, there will be scope to expand some of the Group's initiatives around the core newspaper business. These will require modest investment.

Digital Development

During the year, the decision was made to cease development of our own internet solutions and replace some offerings by purchasing software or licensing complete solutions. A deal was concluded with the Daily Mail Group Trust (DMGT) to utilise their Jobsite software as the basis for an improved jobs offering. This change of philosophy has enabled us to move rapidly, upgrade our technology and provide customers with a better solution.

A new editorial content management system (CMS) has been purchased to replace in-house developed software. The editorial system was implemented in two of our divisions by the year-end. Similarly, our first upgraded website utilising the new content management system is available for customers to use. Both projects will be rolled out across the entire business during 2010.

There has been considerable comment during the past year around the issue of users paying for news content on websites which they currently access for free. As our content on local communities is often unique, we believe that we are well positioned to test whether users would be prepared to pay for their content delivered through local websites. A small scale test involving six of our local websites began in December. The test is designed to help our understanding of the impact of our free digital offerings on print and whether customers are prepared to pay for news. It is our belief that the issue is not only the willingness of customers to pay for news content but also the ease of payment which particular mechanisms provide. No decision has been made to roll-out paywalls across our sites but we remain open to developments in this area.

For some time, we have been running small scale exhibitions across the Group and have made the decision to expand the scale of this business. We are leveraging the skills of Outbound, our emigration events and publishing business, to produce one large scale event in each division in 2010. Depending on the success of these initiatives we will make further plans for expansion from next year and beyond.

Our business definition of local media can be expanded beyond newspapers into other types of media such as local television. We are actively involved in pitching for two of the three government funded pilots for the provision of local TV news.

Summary

The year ended with the Group in a much stronger position than it began: advertising is more stable; circulation trends have improved; digital revenues are growing; our cost base has reduced significantly and lending facilities have been renegotiated. We are therefore well positioned to take advantage of any upturn as it occurs.

Business Review - Operational Review

The Group's strategy of evolving its organisational structure in line with trading conditions led to a number of operational changes in 2009. This forms part of our longer-term plan to centralise common business functions, leaving local companies to concentrate on the core competencies of news gathering and advertising sales. It ensures we remain focussed on the local communities that are so important to the success of community publishing.

Progress on this strategy was accelerated during the year with the introduction of new technology in the publishing workflow in order to improve efficiency and the quality of our news and information offering. Changes were also made to the organisational structure at regional and Group level with the disparate operations of telephone sales, advertisement creation, transport and newspaper sales administration being brought together centrally as service functions for local operating companies.

Digital

A key digital strategic aim of moving from bespoke to more appropriate and robust technology was achieved during the year and long-term partnerships were established with several web providers. The most significant change was the transformation of the Jobs Today classified portal through functionality provided by Jobsite, which is owned by DMGT. This created a step change for the user that generated additional viewers and therefore more advertising opportunities. At the same time, employers were able to reach other markets, increasing prospects for new revenues. As a result, recruitment advertising online improved as the year progressed: revenue in the last quarter increased by 15.7%, with the full year down only 29.1% despite challenging market conditions.

The remaining classified search engines for property, motors and business listings are in the process of moving away from bespoke technology and this workstream is expected to be completed in 2010.

The introduction of new workflows and technology in the Group's editorial departments was another significant step forward. Once established, this will improve the user experience for both journalist and viewer as well as online news content. As part of this project, external experts undertook a thorough evaluation of our online readers' needs in order to redesign the Group's 297 sites. By the end of 2009, the next generation home page, with a much cleaner design and deeper content, was being tested in Grantham and this will be rolled out across the Group in 2010.

Extensive work on our advertising platforms was also carried out in 2009. Improvements for customers include an online service for births, marriages and deaths (i-Announce); upgraded technology for video advertising; and packages for both local and national display advertisers that better meet their needs and extend their reach.

As a consequence of these changes, digital revenues improved as the year progressed, ending positively at +12.3% in the fourth quarter. Overall digital revenues were down 10.6% for the year.

IT Systems

Underpinning these changes is the continued use of technology as an enabler for business development. This approach has led to a transformation of the organisation structure, with the most significant change being the introduction of a new editorial content management system (CMS), which has been successfully deployed in Midlands and South divisions and will be installed Group-wide during 2010. The system has improved the way text, pictures, audio and video content are captured and utilised in print, online and for mobile devices. With the addition of new working practices in editorial departments, such as pre-formatting page design, workflow has greatly improved.

Organisation Structure

In line with Group strategy, central units for transport and logistics, newspaper sales and advertisement creation have been set up or existing facilities improved. In addition, regional teams have been established for telephone sales and editorial production, enabling common business processes to be employed and best practice adopted.

Towards the end of 2009, a new business unit was created to oversee all aspects of the Group's transport operation and delivery of newspapers from press hall to point of sale. This has already led to efficiencies through improved purchasing and planning of distribution.

The central newspaper sales team which provides research, marketing and administration support in addition to sharing and monitoring best practice, was given more and the results have been positive. Further benefits are anticipated when more of our daily titles move to earlier delivery times and when wholesale delivery arrangements are optimised as best practice guidelines are introduced.

The consolidation of advertisement creation (the design teams within pre-press departments which prepare customer advertisements) continued with the closure of teams based in Limerick, Sunderland, Sheffield, Peterborough and Portsmouth. Our long-term objective is to have three units operating in Leeds, Preston and Carn in Northern Ireland. In the last 18 months, the number of teams has reduced from twenty-five to six, made possible by the technology that allows the seamless flow of scanned designs across the Group's network.

Telephone sales teams, which were historically based in individual operating companies, have been consolidated into larger hubs in each publishing division. For example, in the South division there are now two teams as opposed to five and in the Northwest there is one team rather than six. A total of fifty-seven disparate telephone sales teams have been integrated into twenty regional hubs. The technology employed has made it possible to improve call handling, invest in specialist management and monitor customer service levels.

A similar project to consolidate editorial production was completed in five of the seven publishing divisions, creating twenty-five central sub-editing units, a reduction of forty-three. Editorial page design is now being shared across companies and other benefits include a more robust infrastructure for the preparation of news pages, scale efficiencies and lower capital costs.

Audience Delivery

Stabilising and developing sales of our daily and weekly newspapers continues to be a strategic objective. This has been greatly enhanced by additional focus on consumer research with the Group now having over 6,000 active online reader panellists. These consumer panellists provide feedback on newspaper content and offer a valuable insight into the views of our readers. We have also invested in specific research projects to support our daily newspapers in Edinburgh and Leeds and instigated new procedures to evaluate the quality of our newspapers including an initiative to canvass the opinion of peer groups, consumers and staff.

As a result of these initiatives sales performance has improved with daily newspapers improving from a first half decline of -7.8% to -6.3% in the second half and weekly newspapers from -7.2% in the first half to -4.6% in the second. Encouragingly, over one third of the Group's weekly titles reported sales declines of less than 3.0% in the second half of the year. The recently published ABC figures for July to December 2009 show that we have the best performing titles, in terms of circulation, compared with our main competitors.

Daily newspapers continue to benefit from overnight printing and early delivery to outlets, particularly our titles in Northampton, Kettering and Peterborough. The Peterborough Evening Telegraph reported an increase in sales of 0.6% year-on-year for July to December 2009, one of only two regional daily newspapers in the country to do so. The proportion of daily newspaper copies on subscription or home delivery has also increased from 11.8% in 2008 to 13.1% in 2009.

Our digital audiences continue to be independently audited by the industry body ABCe. Results for January to June 2009 indicated that our online audience had increased by 11.9% against the immediately preceding period and that our online audience is the largest of all the regional media companies. Second half performance shows an increase of 11.6%.

As part of our commitment to the industry we have been working with The Newspaper Society and other UK regional publishers to launch "Locally Connected", a database that provides, in a consistent format, the combined in print and online audience for specific markets. Major advertisers and agencies can then understand the total audience reach of our combined products and make more informed buying decisions.

Business Development

The Group entered into a new phase of business development during the year by forming separate working parties to review the display, recruitment, property and motors advertising markets. Each team was led by a senior manager and comprised a cross-section of commercial directors. We are currently implementing the recommendations, which include changes to pricing strategy, sales organisation structure, new advertising platforms and improvements to online self-serve advertising. This work has enabled the Group to have a deeper understanding of customers' views, whilst at the same time identifying new opportunities to grow revenue.

Strategically it was agreed to increase resource allocated to new revenue streams such as high quality lifestyle magazines and large scale exhibitions. Consequently, a senior editorial manager was appointed to co-ordinate Group-wide magazine activity and an experienced manager from our inhouse exhibition company was appointed to support new exhibition activities operated by the local publishing centres.

Print Division

The flexibility of the Group's two main print sites, Dinnington and Portsmouth, was again evident during the year. Both presses are primarily suited to products with high pagination and long print runs but in 2009, they successfully accommodated a greater range and variation of print requirements including smaller titles with shorter print runs. This enabled further efficiency gains to be achieved by moving work from Leeds and Sunderland and restructuring the working week at those sites.

A decision was taken to close the press hall in Edinburgh and outsource the printing needs of the Scotland division to more modern presses operated by Trinity Mirror and News International. This reduced operating costs and also increased colour availability for The Scotsman, Edinburgh Evening News and Scotland on Sunday. In addition, the press hall and associated commercial print activity in Kilkenny, Republic of Ireland was closed and work transferred to alternative Group sites at Limerick and Carn in Northern Ireland.

The UK print industry currently has surplus capacity and this led to a very competitive pricing environment. Encouragingly, the majority of our customers chose to retain their relationship with us and only one significant contract, The Financial Times, has been lost.

During 2009 the print division won industry awards for the best use of colour and was highly commended for coldset printing.

Staff Development & Welfare

In a year of significant change and restructuring, the single most important challenge was to minimise the impact of redundancy on employees. This has been achieved by voluntary severance and redeployment where possible. In addition, considerable time and re-training has been invested in change management programmes to assist employees affected.

Business Review - Performance Review

The financially challenging environment that the Group operated in through 2008 continued into 2009 such that the Group continued to see very significant revenue losses over the course of the year. The impact of this was partially mitigated through a combination of the cost reduction and business re-engineering programmes started in 2008 and new initiatives in 2009. The result is that the cost base of the business has been repositioned and an operating margin (before non-recurring and IAS 21/39 items) of 16.8% was achieved.

The table below illustrates how the combined print and digital advertising revenues performed over the course of the year. The table illustrates the performance for each of the four quarters of the year excluding the 53rd week in 2009 which has been eliminated to enable direct comparisons to be made. In the UK, the year-on-year advertising decline in percentage terms peaked in the first quarter at -34.2% and gradually improved through to the last quarter at -10.6%. The most affected advertising categories were employment -49.0%, property -41.8% and motors -23.3%, with all of these reflecting weak performance in their economic drivers, namely increasing unemployment, reduced number of property transactions and reduced car sales. As can be seen in the quarterly analysis, both property and motors improved in the last quarter of 2009, along with their economic drivers. However employment was difficult throughout the year as unemployment continued to grow. Although there continues to be an ongoing level of structural migration of classified advertising towards the online environment we believe that by far the largest factor influencing our revenues in 2009 was the economic cycle.

Advertising Revenue - Print & Digital by quarter (like-for-like)

Year/Quarter	Year			March			June			September			December		
	2009 £m	2008 £m	% change	2009 £m	2008 £m	% change	2009 £m	2008 £m	% change	2009 £m	2008 £m	% change	2009 £m	2008 £m	% change
UK															
Employment	42.0	82.4	(49.0)	13.0	26.7	(51.3)	10.9	24.6	(55.5)	9.8	18.7	(47.5)	8.3	12.4	(33.3)
Property	31.7	54.5	(41.8)	7.9	18.5	(57.3)	8.7	17.3	(49.7)	8.0	11.3	(29.3)	7.1	7.4	(2.9)
Motors	24.8	32.3	(23.3)	6.7	9.4	(28.5)	6.3	8.8	(28.5)	6.5	8.3	(21.8)	5.3	5.8	(9.0)
Other															
Classified	63.8	71.4	(10.8)	16.8	18.8	(11.0)	16.2	18.3	(11.6)	15.5	17.7	(12.3)	15.3	16.6	(8.2)
Display	95.3	110.0	(13.4)	23.6	29.8	(20.8)	23.7	27.7	(14.6)	22.8	26.1	(12.9)	25.2	26.4	(4.0)
UK Total	257.6	350.6	(26.5)	68.0	103.2	(34.2)	65.8	96.7	(32.0)	62.6	82.1	(23.8)	61.2	68.6	(10.6)
Republic of Ireland															
Ireland	14.4	19.3	(25.3)	3.7	5.3	(28.7)	3.9	5.3	(25.5)	3.3	4.5	(26.2)	3.5	4.3	(19.8)
Group Total	272.0	369.9	(26.5)	71.7	108.5	(33.9)	69.7	102.0	(31.6)	65.9	86.6	(23.9)	64.7	72.9	(11.2)

Other classified and display advertising has historically been more resilient through economic cycles and this was again evidenced with declines excluding the 53rd week of -10.8% and -13.4% respectively.

Overall the UK performance was a 26.5% decline when comparing against 2008 on a 52 week basis.

The improvement in terms of rate of decline seen by the UK was not evidenced in the Republic of Ireland where the economy stayed in deep recession throughout the year. This is illustrated by the overall decline in the fourth quarter of -19.8% when compared to the decline of -10.6% in the UK. In particular, the improvements in property and motors seen in the UK were not seen in the Republic of Ireland.

The table on page 10 summarises the revenues and total costs for the Group for 2009 and 2008 as well as isolating the impact of the additional 53rd week in 2009.

Print advertising which is included in the total advertising analysis above declined by 27.4% when comparing the 52 weeks in each period.

Newspaper sales fell by 1.8% on the same basis. This decline was driven by the circulation trends described in the Operational Review, partially offset by increased cover prices. Circulation trends did show improvement in the second half of the year influenced by actions we have taken as described on pages 6 and 7, a small increase in consumer confidence and the return of consumer interest in the property market.

Digital revenues reflecting the initiatives described previously in the Business Review responded positively in the second half of the year with growth seen in the last quarter. The majority of the losses in the first half of the year had been in the employment category and these losses decreased significantly following the partnership with DMGT on the Jobsite offering launched in August 2009.

Performance Summary for 2009 and 2008

	2009 53 weeks £'m	Effect of 53rd week £'m	2009 52 weeks £'m	2008 52 weeks £'m	% change Like-for- like
Print advertising	256.3	2.0	254.3	350.6	(27.4)
Newspaper sales	101.2	1.5	99.7	101.4	(1.8)
Digital	17.7	0.1	17.6	19.8	(11.1)
Contract printing	32.7	0.5	32.2	35.9	(10.3)
Other	20.1	–	20.1	24.2	(16.9)
Total revenues	428.0	4.1	423.9	531.9	(20.3)
Costs	(356.2)	(2.0)	(354.2)	(403.5)	(12.2)
Operating profit	71.8	2.1	69.7	128.4	(45.7)
Operating margin	16.8%	51.2%	16.4%	24.1%	

Contract print revenues decreased year on year by 10.3% and although the majority of our revenues are underpinned by long term contracts the decline was primarily driven by the loss of a printing contract for The Financial Times in Leeds. The balance of the loss was driven by competitive pricing in the contract printing market where, due to available capacity, pricing levels have come down.

Other revenues, of which just under half relates to the delivery of advertising leaflets within our papers, were down by 16.9%. Advertising leaflets were down by 21.3% on a 52 week basis reflecting both a reduction in the distribution of our free newspapers of 19.7% and reduction in general levels of advertising. The other significant drop in this revenue category was related to our decision to scale back emigration publishing business which ran several emigration and foreign property exhibitions and generated significantly reduced revenues in 2009.

In total, like-for-like revenues were down 20.3% year-on-year.

Total operating costs for the Group, excluding non-recurring and IAS 21/39 items, were £356.2 million. When the costs directly related to the 53rd week are excluded this represented a £49.3 million or 12.2% saving on 2008. This saving was achieved despite a significant increase in newsprint prices when compared to 2008. This increase in price has effectively been reversed in the terms agreed for 2010.

These significant cost reductions have been achieved through reaping the benefits of investment in technology, using our scale and consolidating printing operations as referred to previously. The majority of those savings are structural and permanent and will not be reinstated when business conditions improve.

As a result of these restructuring and cost saving initiatives, the impact of the 19.5% fall in revenues (20.3% on a like-for-like basis) was to some extent mitigated such that the overall operating profit margin before non-recurring and IAS 21/39 items dropped from 24.1% to 16.8% for the 53 weeks or 16.4% for the 52 weeks.

Principal Risks Facing the Business

The risk factors detailed in last year's report and accounts are still those most likely to influence the performance of the Group.

The most important factors remain those that reflect the general economic condition of the markets in which we operate, namely:

- Change in Gross Domestic Product
- Change in unemployment rate
- Level of property transactions
- Level of new car sales
- Level of consumer confidence
- For 2010, the impact of the General Election

The negative trend in all of these factors during 2009 was the primary reason behind the cyclical drop in advertising revenues:

In addition to these economic factors, the following factors are those which we have greater influence over but unfortunately have a lesser impact than the wider economic environment:

- a) Our ability to ensure that we maintain market leadership at the local level in the classified and display advertising categories.
- b) Our success in growing revenue streams in our existing market segments. This includes revenue streams from our digital platforms as well as new print and related initiatives through building on the strength of our brands in local markets.
- c) Our ability to further re-engineer the processes and cost structure of the business in the face of any additional revenue reductions.
- d) Our ability to continually improve the efficient operation of our business through appropriate investment in technology which improves both our customers' experience and our methods of operation.
- e) Our success in adapting to our customers' requirements in terms of the way they want to access and address their local information needs so that we continue to offer our advertisers high levels of local market penetration and response whilst monetising the value of our unique content.
- f) The extent to which we are able to finance and secure future acquisition or partnership opportunities which will create shareholder value.

Non-Recurring and IAS 21/39 Items

In addition to the trading results detailed above and earlier in this Business Review, there have been several categories of non-recurring items incurred by the business in the year and these are as follows:

- a) As has been the case in prior periods, the Group is required under IAS 36 to test the carrying value of all of its intangible assets for indicators of impairment. In the first half of the year this resulted in a net impairment of publishing titles of £126.0 million. No further impairment has been recognised in the second half. Detail on the impairment test assumptions and the carrying value by division are included in note 9. In addition, an impairment charge of £1.7 million has been recognised against the cost of available for sale investments.
- b) In the second half of the year, as a consequence of seeking to improve the quality, cost effectiveness and efficiency of our print division, the Group announced the closure of print presses in Edinburgh and Kilkenny. This has resulted in a write-down of £19.0 million, representing the net book value of the printing assets less any potential resale value.
- c) As detailed in the Operational Review and above, the Group continues to re-engineer and reduce its cost base through the consolidation or elimination of backroom and production activities. This unfortunately has resulted in a reduction of 768 full time equivalent heads in the year with associated redundancy and reorganisation costs of £14.6 million.
- d) Costs of £0.5 million were incurred in relation to the aborted disposal of the ROI business. In addition, costs of £0.6 million were incurred in writing down the value of assets retained following disposal of one title at the end of the year.
- e) Finally, the Group has de-designated its derivative financial instruments from being effective hedges such that the change in the mark-to-market valuations and retranslation of foreign denominated debt of these instruments are now recorded in the Income Statement. The effect of this is illustrated in a separate column on the face of the Income Statement and the detail on the adjustments is included in note 6c.

Finance Income/Costs

The net finance income on pension assets/liabilities was £0.3 million as the expected return on our pension fund assets marginally exceeded the interest costs on our pension liabilities by that amount.

Finance costs for the Group for the year were £28.8 million (before non-recurring and IAS 21/39 items) with a blended effective interest rate of 5.8%. This blend obviously includes for the first 8 months of the year the Group's previous financing arrangements, which were replaced on 28 August 2009 with new facilities as described later in this review. The costs associated with the revised facilities are significantly higher given the Group's increased financial leverage and the conditions existing in the credit and financial markets when this negotiation had to be completed. The blended rate in the new facilities for the final 4 months of the year, including the payment-in-kind (PIK) accrual, was 8.5%. The fees associated with the refinancing were £16.0 million and these are being amortised over the life of the new facility. The impact of this was £1.7 million in addition to the amortisation of the remaining fees related to the old facility of £0.5 million, incurred in the first half of the year. All of the Group's US dollar based interest payments on the private placement loan notes are fully hedged with respect to currency and the overall percentage of our sterling borrowings, which have been swapped to fixed rates is 72.5%.

A cost of £9.4 million has been recorded in 2009 in relation to the warrants issued to lenders as part of the refinancing. This has been included in the Income Statement as a non-recurring finance cost.

Tax Rate

The Group tax rate for the year, excluding non-recurring and IAS 21/39 items was 18.0% with the UK rate of 28% being reduced by the businesses in the Republic of Ireland and the Isle of Man, where corporation tax rates are considerably lower at 12.5% and zero respectively, and the release of a contingency no longer required in respect of our Isle of Man subsidiary.

Earnings Per Share and Dividends

Basic earnings per share are -13.7p, significantly up on 2008, when they were -68.0p for the following reasons:

- An underlying deterioration in trading which has had a negative impact;
- Significantly reduced impairment and other non-recurring charges in 2009 in comparison with 2008, which has had a positive impact;
- The impact of marking to market the Group's financial derivatives, which are no longer designated as hedges under IAS39; and
- The gain on translation of foreign denominated debt.

Excluding these non-recurring and IAS 21/39 related items, earnings per share at the basic level were 5.5p down 58.8% on 2008.

There will no dividend paid relating to 2009. This reflects the Group's desire to further reduce its outstanding debt and also the fact that we undertook, during the refinancing, not to pay dividends until our ratio of net debt to EBITDA falls below 3.5x. Hence, it is unlikely that there will be any dividend paid relating to 2010.

Funding/Net Debt

The Group announced on 28 August 2009 new financing arrangements. These arrangements were provided through an override agreement, which amended and extended the terms of the previous bank facility and loan note agreements. This override agreement runs through to September 2012 and provides facilities totalling £485.0 million. Of the total facility, £324.0 million relates to the amount provided by the Group's existing banking group with the balance being the private placement loan notes. The override agreement has increased finance costs, with a starting and maximum cash margin in the case of the banks being LIBOR plus 4.15% and in the case of the loan notes a maximum coupon of 9.45%. The interest rates payable are based on leverage multiples determined by the ratio of the Group's net debt to EBITDA and reduce based on agreed ratchets; the first reduction occurs when the leverage reduces below 4.5x.

Arrangement fees were payable based on 1.625% of the total facility and a further 0.875% was payable to the banks for extending the term of the existing facility. The facility is secured over the Group's assets and share warrants over 5% of the Company's share capital have been issued to lenders. There is an agreed amortised schedule of £75.0 million over the three years and it has further been agreed that the portion of this amortisation which relates to the loan note holders will include no make whole payment. Make whole is payable to the note holders as compensation for the loss of future interest payments on early repayment of debt.

In addition to the cash interest margin payable as noted above, a payment-in-kind (PIK) margin will accumulate and be payable at the end of the facility. This margin increases throughout the period of the facility however, if, by 15 May 2010, an amount of £85.0 million or more is repaid, the PIK margin is eliminated throughout the entire period of the agreement. The PIK margin will also cease to accrue from the time £85.0 million has been repaid if this occurs after 15 May 2010. In addition, any amounts used to reduce debt up to 15 May 2010 will not attract any make whole payment on the proportion that relates to the loan notes.

The new facility requires the testing of five different covenants, the majority of which are tested quarterly. The first test of these was on 30 September 2009. The quarterly tests are net debt to EBITDA, interest cover and debt service cover, together with consolidated net worth which is tested on a six monthly basis and capital expenditure on an annual basis.

Net debt at the end of the year was £422.1 million (excluding term debt issue costs), a reduction of £55.3 million on the prior year. This is an excellent performance and was driven in particular by good working capital management and reduced capital expenditure.

Liquidity and Going Concern

The Board has undertaken a recent and thorough review of the Group's forecasts and the associated risks. These forecasts extend for a period beyond one year from the date of approval of these financial statements. The extent of this review reflected the uncertain economic outlook and the current trends, together with the increased volatility in advertising revenues experienced across the publishing and media sectors. The improved trends, in terms of reduced year-on-year declines that we experienced in the second half of 2009 have continued into the early part of 2010. The forecasts make key assumptions, based on information available to the Directors, around:

- Future advertising revenues which show a reduced decline in early 2010 with the balance of the year showing greater year-on-year stability reflecting the current external economic environment, consistent with current market views and existing advertising revenue trends.
- Further cost reduction measures to reflect these lower revenues and the ongoing re-engineering of the business.
- Increased interest costs reflecting the new financing arrangements.

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

Financial Reporting

In terms of impact on this report and condensed financial statements, there are no significant changes in International Financial Reporting Standards from those in force at the end of 2008. Under the technical provisions of IAS 1, there is a requirement that when a new standard is published which is applied retrospectively, a third balance sheet as at the start of the comparative period should also be presented. The introduction of IFRS 8 on segmental reporting falls within these provisions. However, given that the segments being reported by our business have not changed following the adoption of IFRS 8 and the balance sheet previously reported in the 2007 Annual Report & Accounts would not be amended in any way, it has been decided that the inclusion of this third balance sheet would add no value for the reader.

Pensions

The Group's pension deficit has increased by £65.9 million over the year. The increased deficit has been the result of a number of factors, both positive and negative. Firstly, investment markets have been highly volatile over the last year and, after a low point which coincided with our half year, rallied towards the end of the year such that overall investment performance contributed a positive return of £50.3 million over the year. Offsetting this was a significant reduction in the discount rate which is used to discount the value of the future liabilities of the scheme. This has meant that the value of these liabilities relating to this change have increased by £52.1 million.

In addition to this negative impact, we have also increased the longevity assumptions used for the valuation in comparison to 2008. This change has resulted in a further increase in liabilities of £8.1 million. The year-on-year change in the inflation assumptions has also had a negative impact on the overall value of projected liabilities of £40.2 million.

This increased deficit, despite the Group continuing to meet its obligations under the schedule of contributions, together with the agreements made during the refinancing process with the pension scheme trustees over increased future contributions from 2012, has resulted in the Group's proposal to close the Defined Benefit section of the Plan to future accrual from 30 June 2010. This proposal is driven by the Group's need to limit the risk on the pension scheme of increased longevity and investment returns. This proposal was announced on 14 January 2010 and a consultation process is currently ongoing. As part of that proposal, the Group will continue to pay £2.2 million per annum towards the deficit in the scheme until the next triennial valuation as at 31 December 2010 is completed. Under the proposal, all members of the Defined Benefit section will become deferred under that section and offered membership of the Defined Contribution section of the Plan.

Control Processes

The Group operates rigorous internal control processes that assist in the efficient operation of our businesses. Central to these processes and controls is the fact that the general ledgers, fixed asset registers, expenses, payables system and payroll are controlled through our shared services centre in Peterborough together with all cash processing for the UK and all advertising agency debt being processed through a large single centre in Leeds.

Directors' Responsibility Statement

The responsibility statement below has been prepared in connection with the company's full annual report for the 53 week period ended 2 January 2010. Certain parts thereof are not included within this announcement.

'We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the business review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.'

The responsibility statement was approved by the board of directors on 11 March 2010 and is signed on its behalf by:

J A Fry
Chief Executive Officer

S R Paterson
Chief Financial Officer

Group Income Statement for the 53 week period ended 2 January 2010

	2009				2008			
	Notes	Before non-recurring and IAS 21/39 items £'000	Non-recurring items £'000	IAS 21/39 £'000	Total £'000	Before non-recurring items £'000	Non-recurring items £'000	Total £'000
Revenue	4	427,996	—	—	427,996	531,899	—	531,899
Cost of sales		(264,312)	—	—	(264,312)	(294,787)	—	(294,787)
Gross profit		163,684	—	—	163,684	237,112	—	237,112
Operating expenses	5	(91,900)	(36,398)	—	(128,298)	(108,698)	(16,675)	(125,373)
Impairment of intangibles	5/9	—	(126,000)	—	(126,000)	—	(417,522)	(417,522)
Intangible adjustment	5/7	—	—	—	—	—	(93,893)	(93,893)
Total operating expenses		(91,900)	(162,398)	—	(254,298)	(108,698)	(528,090)	(636,788)
Operating profit/(loss)		71,784	(162,398)	—	(90,614)	128,414	(528,090)	(399,676)
Investment income		72	—	—	72	807	—	807
Net finance income on pension assets/liabilities	6a	268	—	—	268	3,489	—	3,489
Change in fair value of hedges	6c	—	—	(12,295)	(12,295)	—	—	—
Retranslation of USD debt	6c	—	—	11,756	11,756	—	—	—
Retranslation of Euro debt	6c	—	—	15,211	15,211	—	—	—
Finance costs	6b	(28,805)	(9,390)	—	(38,195)	(33,963)	—	(33,963)
Share of results of associates		22	—	—	22	85	—	85
Profit/(loss) before tax		43,341	(171,788)	14,672	(113,775)	98,832	(528,090)	(429,258)
Tax	7	(7,795)	38,571	(4,259)	26,517	(26,577)	90,365	63,788
Profit/(loss) for the period		35,546	(133,217)	10,413	(87,258)	72,255	(437,725)	(365,470)
Earnings per share (p)								
Earnings per share - Basic	8	5.53	(20.82)	1.63	(13.66)	13.41	(81.40)	(67.99)
Earnings per share - Diluted	8	5.53	(20.82)	1.63	(13.66)	13.41	(81.40)	(67.99)

The above revenue and profit/(loss) is derived from continuing operations. There were no IAS 21/39 items in 2008 as explained in note 6c.

The comparative period is for the 52 weeks ended 27 December 2008.

**Group Statement of Comprehensive Income
for the 53 week period ended 2 January 2010**

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

For the 52 week period ended 27 December 2008

Loss for the year	—	—	(365,470)	(365,470)
Actuarial loss on defined benefit pension schemes (net of tax)	—	—	(8,785)	(8,785)
Revaluation adjustment	(63)	—	63	—
Exchange differences on translation of foreign operations	—	19,019	—	19,019
Change in fair value of interest rate swaps	—	(11,504)	—	(11,504)
Change in fair value of cross currency swaps	—	10,687	—	10,687
Deferred taxation	—	228	(323)	(95)
Total comprehensive (loss)/income for the period	(63)	18,430	(374,515)	(356,148)

Group Reconciliation of Shareholders' Equity for the 53 week period ended 2 January 2010

	Share Capital £'000	Share Premium £'000	Share- based Payments Reserve £'000	Revaluation Reserve £'000	Own Shares £'000	Hedging and Translation Reserve £'000	Retained Earnings £'000	Total £'000
Opening balances	65,080	502,818	10,064	2,396	(4,412)	26,561	(88,687)	513,820
Total comprehensive loss for the period	—	—	—	(88)	—	(13,355)	(138,891)	(152,334)
Recognised directly in equity:								
Dividends	—	—	—	—	—	—	(152)	(152)
Share warrants issued	—	—	9,390	—	—	—	—	9,390
Own shares purchased	—	—	—	—	(592)	—	—	(592)
Provision for share-based payments	—	—	(108)	—	—	—	—	(108)
Net changes directly in equity	—	—	9,282	—	(592)	—	(152)	8,538
Total movements	—	—	9,282	(88)	(592)	(13,355)	(139,043)	(143,796)
Equity at the end of the period	65,080	502,818	19,346	2,308	(5,004)	13,206	(227,730)	370,024
For the 52 week period ended 27 December 2008								
Opening balances	29,944	332,750	8,679	2,459	(3,435)	8,131	305,247	683,775
Total comprehensive (loss)/income for the period	—	—	—	(63)	—	18,430	(374,515)	(356,148)
Recognised directly in equity:								
Dividends	—	—	—	—	—	—	(19,419)	(19,419)
New share capital subscribed	35,136	170,068	—	—	—	—	—	205,204
Own shares purchased	—	—	—	—	(977)	—	—	(977)
Provision for share-based payments	—	—	1,385	—	—	—	—	1,385
Net changes directly in equity	35,136	170,068	1,385	—	(977)	—	(19,419)	186,193
Total movements	35,136	170,068	1,385	(63)	(977)	18,430	(393,934)	(169,955)
Equity at the end of the period	65,080	502,818	10,064	2,396	(4,412)	26,561	(88,687)	513,820

Group Statement of Financial Position at 2 January 2010

	Notes	2009 £'000	2008 £'000
Non-current assets			
Goodwill	9	864	864
Other intangible assets	9	922,513	1,057,022
Property, plant and equipment		219,608	260,498
Available for sale investments		970	2,712
Interests in associates		30	60
Trade and other receivables		16	18
Derivative financial instruments	11	15,794	36,488
		1,159,795	1,357,662
Current assets			
Inventories		3,293	6,557
Trade and other receivables		88,822	149,268
Cash and cash equivalents		12,279	20,135
Derivative financial instruments	11	—	303
		104,394	176,263
Total assets		1,264,189	1,533,925
Current liabilities			
Trade and other payables		50,366	54,319
Tax liabilities		57,896	99,705
Obligations under finance leases		—	13
Retirement benefit obligation	12	5,111	5,980
Borrowings	10	31,465	7,864
Derivative financial instruments	11	1,045	—
		145,883	167,881
Non-current liabilities			
Borrowings	10	398,090	510,311
Derivative financial instruments	11	5,806	7,615
Retirement benefit obligation	12	78,997	12,231
Deferred tax liabilities		261,454	318,692
Trade and other payables		2,077	1,802
Long term provisions		1,858	1,573
		748,282	852,224
Total liabilities		894,165	1,020,105
Net assets		370,024	513,820
Equity			
Share capital	13	65,080	65,080
Share premium account		502,818	502,818
Share-based payments reserve		19,346	10,064
Revaluation reserve		2,308	2,396
Own shares		(5,004)	(4,412)
Hedging and translation reserve		13,206	26,561
Retained earnings		(227,730)	(88,687)
Total equity		370,024	513,820

The comparative numbers are as at 27 December 2008.

Group Statement of Cash Flows
for the 53 week period ended 2 January 2010

	Notes	2009 £'000	2008 £'000
Cash generated from operations	14	93,881	144,548
Income tax paid		(4,715)	(17,635)
Net cash in from operating activities		89,166	126,913
Investing activities			
Interest received		72	807
Dividends received from associated undertakings		52	64
Proceeds on disposal of property, plant and equipment		785	1,791
Proceeds on disposal of titles		131	—
Purchases of property, plant and equipment		(3,946)	(23,221)
Acquisition of businesses		—	(1,530)
Net cash in businesses acquired		—	51
Net cash used in investing activities		(2,906)	(22,038)
Financing activities			
Dividends paid		(152)	(19,419)
Interest paid		(27,841)	(33,053)
Interest paid on finance leases		(13)	(4)
Repayments of borrowings		(42,851)	(184,467)
Arrangement fees on refinancing		(16,027)	—
Repayment of loan notes		—	(61,644)
Issue of shares		—	42,744
Net proceeds from rights issue		—	162,460
Purchase of own shares		—	(977)
Decrease in bank overdrafts		(7,232)	(7,850)
Net cash used in financing activities		(94,116)	(102,210)
Net (decrease)/increase in cash and cash equivalents		(7,856)	2,665
Cash and cash equivalents at the beginning of period		20,135	17,470
Cash and cash equivalents at the end of the period		12,279	20,135

The comparative period is for the 52 weeks ended 27 December 2008.

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010

1. General information

The financial information in the Preliminary Results Announcement is derived from but does not represent the full statutory accounts of Johnston Press plc. The statutory accounts for the 52 weeks ended 27 December 2008 have been filed with the Registrar of Companies and those for the 53 weeks ended 2 January 2010 will be filed following the Group's Annual General Meeting on 30 April 2010. The auditors' reports on the statutory accounts for the 52 weeks ended 27 December 2008 and for the 53 weeks ended 2 January 2010 were unqualified, and do not contain a statement under Sections 498 (2) or (3) of the Companies Act 2006 or under section 237 (2) or (3) of the Companies Act 1985. However for the 52 week period ended 27 December 2008, the auditors' report included reference to matters in relation to going concern to which the auditors drew attention by way of emphasis of matter without qualifying their report. No such reference is included in the accounts for the 53 week period ended 2 January 2010.

Whilst the financial information included in this Preliminary Results Announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. This Preliminary Results Announcement constitutes a dissemination announcement in accordance with Section 6.3 of the Disclosure and Transparency Rules (DTR). The 2009 Annual Report and Accounts for the 53 weeks ended 2 January 2010 will be made available on the Company's website at www.johnstonpress.co.uk, at the Company's registered office at 108 Holyrood Road, Edinburgh EH8 8AS and sent to shareholders in early April 2010.

2. Adoption of new and revised Standards

In the current period, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these condensed consolidated financial statements.

Standards affecting presentation and disclosure

IAS 1 (revised 2007) <i>Presentation of Financial Statements</i>	The Group has adopted the amendments to IAS 1 early. IAS 1 (revised 2007) has introduced a number of changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third balance sheet at 2007 because the entity has applied certain changes in accounting policies retrospectively. However, as there is no change to the 2007 balance sheet, a third balance sheet would add no value so has not been included.
IFRS 8 <i>Operating Segments</i>	The Group has early adopted IFRS 8. IFRS 8 is a disclosure Standard that requires a reassessment of the Group's reportable segments (see notes 3 and 4). As a result of this reassessment no changes have been made.
<i>Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)</i>	The amendments to IFRS 7, which the Group has adopted early, expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current period in accordance with the transitional reliefs offered in these amendments.

Standards affecting the reported results and financial position

Amendment to IAS 39 <i>Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures</i> regarding reclassifications of financial assets	The amendment to IAS 39 permits an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' (FVTPL) and 'available for sale' (AFS) categories in very limited circumstances. Such reclassifications are permitted from 1 July 2008. Reclassifications of financial assets made in periods beginning on or after 1 November 2008 take effect only from the date when the reclassification is made.
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No such reclassifications have been made on early adoption of this amendment to the Standard.

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

2. Adoption of new and revised Standards (continued)

The following amendment was made as part of Improvements to IFRSs (2008).

<i>Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations</i>	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions and clarify the accounting treatment for cancellations. The amendment has been applied retrospectively in accordance with the relevant transitional provisions. No prior period adjustments have been made.
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Standards not affecting the reported results or the financial position

The following new and revised Standards and Interpretations have been adopted in the current period. Their adoption has not had any significant impact on the amounts reported in these condensed consolidated financial statements but may impact the accounting for future transactions and arrangements.

<i>IAS 23 (revised 2007) Borrowing Costs</i>	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements.
<i>Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation</i>	The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro- rate share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
<i>Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items</i>	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
<i>Embedded Derivatives Amendments to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement</i>	The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' (FVTPL) category as permitted by the October 2008 amendments to IAS 39 Financial Instruments: Recognition and measurement (see above).
<i>IFRIC 16 Hedges of a Net Investment in a Foreign Operation</i>	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
<i>IFRIC 18 Transfers of Assets from Customers (adopted for transfers of assets from customers received on or after 1 July 2009)</i>	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes what item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient. The recipient should recognise the asset at its fair value on the date of transfer, with credit recognised in accordance with IAS 18 Revenue.

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

2. Adoption of new and revised Standards (continued)

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

IFRS 1 (amended)/IAS 27 (amended)	<i>Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
IFRS 3 (revised 2008)	<i>Business Combinations</i>
IAS 27 (revised 2008)	<i>Consolidated and Separate Financial Statements</i>
IAS 28 (revised 2008)	<i>Investments in Associates</i>
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>
Improvements to IFRSs (April 2009)	

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group.

3. Business and Geographical Segments

Adoption of IFRS 8, Operating Segments

The Group has early adopted IFRS 8, 'Operating Segments'. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive Officer to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 'Segment Reporting') required the Group to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

As such, the segmental information required by IAS 34 included in note 4 below, is presented in accordance with IFRS 8. There has been no change to the Group's reportable segments which were reported under IAS 14, which remain Newspaper Publishing (in print and online) and Contract Printing.

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

4. Segment Information

a) Segment revenues and results

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

	Newspaper publishing 2009 £'000	Contract printing 2009 £'000	Eliminations 2009 £'000	Group 2009 £'000	Newspaper publishing 2008 £'000	Contract printing 2008 £'000	Eliminations 2008 £'000	Group 2008 £'000
Revenue								
External sales	395,294	32,702	—	427,996	496,000	35,899	—	531,899
Inter-segment sales	—	67,305	(67,305)	—	—	71,525	(71,525)	—
Total revenue	395,294	100,007	(67,305)	427,996	496,000	107,424	(71,525)	531,899

Inter-segment sales are charged at prevailing market prices.

Result

Segment result before non-recurring items	61,590	10,194	—	71,784	121,818	6,596	—	128,414
Non-recurring items	(138,432)	(23,966)	—	(162,398)	(521,090)	(7,000)	—	(528,090)
Net segment result	(76,842)	(13,772)	—	(90,614)	(399,272)	(404)	—	(399,676)
Cost of issuing warrants – non-recurring				(9,390)				—
Investment income				72				807
Net finance income on pension assets/liabilities				268				3,489
IAS 21/39 adjustments				14,672				—
Finance costs				(28,805)				(33,963)
Share of results of associates				22				85
Loss before tax				(113,775)				(429,258)
Tax				26,517				63,788
Loss after tax				(87,258)				(365,470)

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

b) Segment assets

	2009 £'000	2008 £'000
Assets		
Newspaper publishing	1,080,533	1,300,353
Contract printing	166,892	194,069
Total segment assets	1,247,425	1,494,422
Unallocated assets	16,764	39,503
Consolidated total assets	1,264,189	1,533,925

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

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

4. Segment Information (continued)

c) Other segment information

	Newspaper publishing 2009 £'000	Contract printing 2009 £'000	Group 2009 £'000	Newspaper publishing 2008 £'000	Contract printing 2008 £'000	Group 2008 £'000
Additions to property, plant and equipment	2,172	235	2,407	12,970	4,751	17,721
Depreciation expense (inc. non-recurring items)	12,432	29,550	41,982	11,763	20,065	31,828
Net impairment of intangibles	126,000	—	126,000	417,522	—	417,522

5. Non-Recurring Items

	2009 £'000	2008 £'000
Non-recurring operating items:		
Impairment of intangible assets (note 9)	126,000	417,522
Intangible asset adjustment (note 7)	—	93,893
Restructuring costs of existing business	14,573	9,675
Write down of value of presses in existing businesses	18,950	7,000
Impairment of unlisted investments	1,742	—
Costs related to aborted disposal of Republic of Ireland businesses	531	—
Write down of assets relating to disposed title	602	—
Total non-recurring operating items	162,398	528,090
Non-recurring finance costs:		
Warrants issued (note 10)	9,390	—
Total non-recurring items	171,788	528,090

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

6. Finance Costs

	2009 £'000	2008 £'000
a) Net finance income on pension assets/liabilities		
Interest on pension liabilities	20,941	23,321
Expected return on pension assets	(21,209)	(26,810)
	(268)	(3,489)
b) Finance costs		
Interest on bank overdrafts and loans	24,346	33,281
Payment-in-kind interest accrual	2,193	—
Interest on obligations under finance leases	—	1
Amortisation of term debt issue costs	2,266	681
Non-recurring cost of issuing share warrants	9,390	—
	38,195	33,963

c) IAS 21/39 items

Following the de-designation of our derivative financial instruments from the start of the period, all movements in their fair value are now recorded in the Income Statement. In the current period, this movement was a charge of £20.2 million, offset by a credit of £7.9 million relating to the release from equity of amounts previously booked under IAS 39 hedge accounting.

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

7. Tax

	2009 £'000	2008 £'000
Current tax	6,389	19,459
Deferred tax		
(Credit)/charge for year	(32,906)	2,397
Charge relating to the Finance Act 2008 on abolition of IBA's	—	8,249
Deferred taxation adjustment relating to the impairment of publishing titles	—	(93,893)
	(26,517)	(63,788)

UK corporation tax is calculated at 28.0% (2008: 28.5%) of the estimated assessable profit/(loss) for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

Under IFRS, on acquisition of the publishing titles a deferred tax provision was created with an equal and opposite offset in goodwill. In the 2008 period, the non-recurring adjustment to publishing titles was a tax credit related to the deferred tax on the publishing titles in the UK at the rate of 28.0% and in the Republic of Ireland at the rate of 20%. The adjustment impacted publishing titles instead of goodwill, the original offsetting entry, as IAS 36, 'Impairment of assets' dictates that any impairment must first be allocated to goodwill, regardless of how that balance arose originally. Recording the adjustment resulted in the closing deferred tax position representing the recorded value of publishing titles at the appropriate tax rates in the UK and Republic of Ireland.

There is no equivalent adjustment in the current period as there has been no impairment of goodwill.

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

7. Tax (continued)

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

	2009		2008	
	£'000	%	£'000	%
Loss before tax	(113,775)	100.0	(429,258)	100.0
Tax at 28% (2008: 28.5%)	(31,857)	(28.0)	(122,339)	(28.5)
Tax effect of share of results of associate	(6)	—	(24)	—
Tax effect of (income)/expenses that are non taxable/deductible in determining taxable profit	5,290	(4.7)	51,679	12.0
Tax effect of investment income	15	—	(1)	—
Effect of different tax rates of subsidiaries	383	0.3	(1,299)	(0.3)
Adjustment in respect of prior years	(715)	(0.6)	(53)	—
Non-recurring charge relating to 2008 Finance Act	—	—	8,249	1.9
Losses carried back	373	0.3	—	—
Tax credit for the period and effective rate	(26,517)	(23.3)	(63,788)	(14.9)

8. Earnings per Share

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

	2009	2008
	£'000	£'000
Earnings		
Loss for the period	(87,258)	(365,470)
Preference dividend	(152)	(152)
Earnings for the purposes of basic and diluted earnings per share	(87,410)	(365,622)
Non-recurring and IAS 21/39 items (after tax)	122,804	437,725
Earnings for the purposes of underlying earnings per share	35,394	72,103
	2009	2008
	No. of	No. of
	shares	shares
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	639,739,926	537,784,956
Effect of dilutive potential ordinary shares:		
- share options	—	1,543,723
- warrants	5,680,278	—
Number of shares for the purposes of diluted earnings per share	645,420,204	539,328,679
Earnings per share (p)		
Basic	(13.66)	(67.99)
Underlying	5.53	13.41
Diluted - see below	(13.66)	(67.99)

Underlying figures are presented to show the effect of excluding non-recurring and IAS 21/39 items from earnings per share.

Diluted earnings per share are presented when a company could be called upon to issue shares that would decrease net profit or increase loss per share. No adjustment has been made in 2009 or 2008 to the diluted loss per share, as the dilution effect of the share options and warrants would be to decrease the loss per share.

As explained in note 13, the preference shares are considered to be equity under IAS 32. In line with IAS 33, the preference dividend and the number of preference shares are excluded from the calculation of earnings per share.

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

9. Goodwill and Other Intangible Assets

	Goodwill £'000	Publishing Titles £'000
Cost		
Opening balance	145,254	1,330,154
Exchange movements	—	(8,509)
Disposal of titles	—	(8,666)
Closing balance	145,254	1,312,979
Accumulated impairment losses		
Opening balance	(144,390)	(273,132)
Net impairment losses for the period	—	(126,000)
Disposal of titles	—	8,666
Closing balance	(144,390)	(390,466)
Carrying amount		
Closing balance	864	922,513
Opening balance	864	1,057,022

The exchange movement above reflects the impact of the exchange rate on the valuation of publishing titles in the Republic of Ireland at the period end date and before the impairment. It is offset by a decrease in the euro borrowings.

At the end of 2009, the Group disposed of the subsidiary Tallaght Publishing Ltd. The value of the titles which were disposed of as part of the sale had previously been impaired in full.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying value of goodwill and publishing titles by CGU is as follows:

	Goodwill		Publishing Titles	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Newspaper publishing segment CGUs:				
Scotland Newspaper Division	—	—	76,877	120,322
North Newspaper Division	—	—	366,717	405,128
Northwest Newspaper Division	—	—	116,288	109,183
Midlands Newspaper Division	864	864	176,592	176,592
South Newspaper Division	—	—	81,711	80,111
Northern Ireland Newspaper Division	—	—	73,272	71,856
Republic of Ireland Newspaper Division	—	—	31,056	93,830
	864	864	922,513	1,057,022

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

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. These assumptions have been revised in the year in light of the current economic environment. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Given the current volatility in the debt and equity markets, this has led to an increase in the cost of capital and therefore the discount rate applied to future cash flows has increased from 8.85% in 2008 to 9.59% 2009. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

9. Goodwill and Other Intangible Assets (continued)

The Group prepares discounted cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows for 20 years from the date of testing based on an estimated annual growth rate of 1%. A discounted residual value of 5 times the final year's cash flow is included in the forecast. The present value of the cash flows are then compared to the carrying value of the asset.

Given the recession in the UK and Republic of Ireland during 2009 and the effect on forecast cash flows in 2010, a net impairment charge of £126.0 million, relating entirely to publishing titles, has been recorded in the period. This comprises a further impairment charge of £136.1 million relating to the Scotland, North and Republic of Ireland divisions, net of a reversal of impairment of £10.1 million in relation to the Northwest, South and Northern Ireland divisions.

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. A decrease in the long term growth rate of 0.5% would result in a further impairment for the Group of £39.0 million, and an increase in the discount rate of 0.5% would result in a further impairment of £41.0 million.

The only CGU that has not been impaired is the Midlands Division. For the carrying value of the goodwill and intangibles to be impaired in this division, a decrease in the growth rate of more than 0.10%, or an increase in the discount rate of over 0.10%, would be required.

10. Borrowings

	2009 £'000	2008 £'000
Bank overdrafts	1,022	8,254
Bank loans - sterling denominated	233,746	166,000
Bank loans - euro denominated	43,193	169,003
2003 Private placement loan notes	96,238	101,245
2006 Private placement loan notes	67,428	74,177
Term debt issue costs	(14,265)	(504)
Payment-in-kind interest accrual	2,193	—
Total borrowings	429,555	518,175

The borrowings are disclosed in the financial statements as:

	2009 £'000	2008 £'000
Current borrowings	31,465	7,864
Non-current borrowings	398,090	510,311
	429,555	518,175

The Group's net debt is:

Gross borrowings as above	429,555	518,175
Finance leases	—	13
Cash and cash equivalents	(12,279)	(20,135)
Impact of currency hedge contracted rates	(9,483)	(21,238)
Net debt at currency hedge contracted rates	407,793	476,815
Term debt issue costs	14,265	504
Net debt excluding term debt issue costs	422,058	477,319

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

10. Borrowings (continued)

Analysis of borrowings by currency:

At 2009 period end

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

At 2008 period end

Bank overdrafts	8,254	8,254	—	—
Bank loans	335,003	166,000	169,003	—
2003 Private placement loan notes	101,245	46,200	—	55,045
2006 Private placement loan notes	74,177	—	—	74,177
Term debt issue costs	(504)	(504)	—	—
	518,175	219,950	169,003	129,222

Refinancing

On 28 August 2009, the Group renegotiated its credit facilities with both its bank lenders and private placement loan note holders. The renegotiated facilities extended the term of the previous bank agreement until 30 September 2012. The facility is secured and share warrants of 5% of the Company's share capital have been issued. There is an agreed amortisation schedule of £75.0 million over the three years on which no make whole payment to the private placement loan notes is applicable. Interest rates payable on all facilities are based on leverage multiples and reduce based on agreed ratchets relating to the Group's ratio of net debt to EBITDA.

Bank loans

The Group has credit facilities with a number of banks. The total facility is £324.0 million (2008: £630.0 million) of which £47.1 million is unutilised at the balance sheet date (2008: £295.0 million). The credit facilities are provided under two separate tranches as detailed below.

Facility A

Facility A is a revolving credit facility of £55.0 million, available to be drawn down up to 30 September 2012. This facility includes a bank overdraft facility of £10.0 million (2008: £30.0 million). The loans can be drawn down on a one, two or three monthly basis. Interest is payable at LIBOR plus a maximum cash margin of 4.15% (2008: revolving credit facility of £630.0 million, at LIBOR plus 1%).

Facility B

Facility B is a term loan facility of £269.0 million, with full repayment due on 30 September 2012. Fixed repayments are due in 6 monthly intervals from 30 June 2010. Interest is payable quarterly at LIBOR plus a maximum cash margin of 4.15%.

Hedging

In accordance with the credit agreements in place, the Group hedges a portion of the bank loans via interest rate swaps exchanging floating rate interest for fixed rate interest. Borrowings of £200.0 million (2008: £268.1million) were arranged at fixed rates and expose the Group to fair value interest rate risk.

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

10. Borrowings (continued)

Private placement loan notes

The Group has total private placement loan notes of £46.2 million and \$187.1 million. The notes are repayable in full on 30 September 2012, with fixed repayments at 6 monthly intervals from 30 June 2010. Interest is payable quarterly at fixed coupon rates up to 9.45% depending on covenants.

2003 Private placement loan notes

The 2003 Private placement loan notes are made up of:

- £46.2 million at a coupon rate of up to 9.45% (2008: £46.2 million at a fixed rate of 6.3%); and
- \$79.7 million at a coupon rate of up to 8.90% (2008: \$79.7 million at a fixed rate of 5.75%).

Of the \$79.7 million, \$44.7 million has been swapped into floating sterling of £28.3 million and \$35.0 million has been swapped into fixed sterling of £22.2 million to hedge the Group's exposure to US dollar interest rates (2008: \$79.7 million swapped into floating sterling of £50.5 million).

2006 Private placement loan notes

The 2006 Private placement loan notes are made up of:

- \$38.1 million at a coupon rate of up to 9.33% (2008: \$38.1 million at a fixed rate of 6.18%); and
- \$69.3 million at a coupon rate of up to 9.43% (2009: \$69.3 million at a fixed rate of 6.28%).

The total amount of \$107.4 million has been swapped back into fixed sterling of £37.1 million (2008: £37.1 million) and floating sterling of £20.4 million (2008: £20.4 million), again to hedge the Group's exposure to US dollar interest rates.

Payment-in-kind interest

In addition to the cash margin payable on the bank facilities and private placement loan notes, a payment-in-kind (PIK) margin will accumulate and is payable at the end of the facility. This margin increases throughout the period of the facility. If, by 15 May 2010, an amount of £85.0 million or more is repaid, the PIK margin is eliminated throughout the period of the agreement. The PIK margin is also eliminated from the time £85.0 million has been repaid if this occurs after 15 May 2010. In addition, any amounts used to reduce debt up to 15 May 2010 will not attract any make whole payment. The PIK accrues at a margin of between 1.35% and 3.05%.

Interest rates

The weighted average interest rates paid over the course of the year, encompassing the previous and new facilities, were as follows:

	2009 %	2008 %
Bank overdrafts	2.0	6.1
Bank loans	6.0	5.8
2003 Private placement loan notes	5.6	6.9
2006 Private placement loan notes	5.6	6.5
	5.8	6.1

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

11. Derivative Financial Instruments

Derivatives that are carried at fair value are as follows:

	2009	2008
	£'000	£'000
Interest rate swaps - current (liability)/asset	(1,045)	303
Interest rate swaps - non-current liability	(5,806)	(7,615)
Cross currency swaps - non-current asset	15,794	36,488
	8,943	29,176

12. Retirement Benefit Obligation

Throughout 2009 the Group operated the Johnston Press Pension Plan (JPPP), together with the following schemes:

- A defined contribution scheme for the Republic of Ireland, the Johnston Press (Ireland) Pension Scheme.
- Two ROI industry-wide final salary schemes and a third final salary scheme for a small number of employees in Limerick. There are no additional financial implications to the Group if these schemes are terminated. Consequently, the Group's obligations to these schemes is included in Long Term Provisions and the details shown below exclude these schemes.

The JPPP is in two parts, a defined contribution scheme and a defined benefit scheme. The latter is closed to new members and a proposal was announced on 14 January 2010 to close the scheme to future accrual from 30 June 2010, subject to consultation with members which is currently ongoing. The assets of the schemes are held separately from those of the Group. The contributions are determined by a qualified actuary on the basis of a triennial valuation using the projected unit method. The contributions are fixed annual amounts and a percentage of salary with the intention of eliminating the deficit within 10 years from the date of the last triennial valuation on 31 December 2007. As the defined benefit section has been closed to new members for a considerable period the last active member is scheduled to retire in 36 years with, at current mortality assumptions, the last pension paid in 56 years. On a discounted basis the duration of the pension liabilities is circa 20 years. The financial information provided below relates to the defined benefit element of the JPPP.

The composition of the trustees of the JPPP is made up of an independent Chairman, a number of member nominated (by ballot) trustees and several Company appointed trustees. Half of the trustees are nominated by members of the JPPP, both current and past employees. The trustees appoint their own advisers and administrators of the Plan. Discussions take place with the Executive Directors of the Company to agree matters such as the contribution rates. Over the past few years the trustees have reduced the risk exposure to UK equities from a level of 75% of the Plan to 63.1% at 2 January 2010.

The defined contribution schemes provide for employee contributions between 2-6% dependent on age and position in the Group, with higher contributions from the Group. In addition, the Group bears the majority of the administration costs and also life cover.

The pension cost charged to the Income Statement was as follows:

	2009	2008
	£'000	£'000
Defined benefit schemes	1,070	2,904
Defined contribution schemes and Irish schemes	5,709	6,801
	6,779	9,705

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

12. Retirement Benefit Obligation (continued)

Major assumptions:

	Valuation at 2009	Valuation at 2008
Discount rate	5.7%	6.3%
Expected return on scheme assets	7.1%	6.7%
Expected rate of salary increases	4.0%	3.3%
Future pension increases	3.5%	2.8%
Life expectancy		
Male	19.8 years	19.5 years
Female	22.9 years	22.4 years

The valuation of the defined benefits funding position is dependent on a number of assumptions and is therefore sensitive to changes in the assumptions used. The impact of variations in the key assumptions are detailed below:

- A change in the discount rate of 0.1% pa would change the value of liabilities by approximately 2% or £9.0 million.
- A change in the life expectancy by one year would change liabilities by approximately 3% or £14.0 million.

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

	2009 £'000	2008 £'000
Current service cost	1,070	2,904
Interest cost	20,941	23,321
Expected return on scheme assets	(21,209)	(26,810)
	802	(585)

Of the current service cost for the year, £803,000 (2008: £2,178,000) has been included in cost of sales and £267,000 (2008: £726,000) has been included in operating expenses. An actuarial loss of £71,288,000 (2008: £12,227,000) has been recognised in the Group Statement of Comprehensive Income in the current period. The cumulative amount of actuarial gains and losses recognised in the Group Statement of Comprehensive Income since the date of transition to IFRS is a loss of £48,945,000 (2008: gain of £22,343,000). The actual return on scheme assets was £50,346,000 (2008: £65,620,000 loss).

Amounts included in the Statement of Financial Position:

	2009 £'000	2008 £'000
Present value of defined benefit obligations	446,114	340,060
Fair value of scheme assets	362,006	321,849
Deficit in scheme	84,108	18,211
Past service cost not yet recognised in Statement of Financial Position	—	—
Total liability recognised in Statement of Financial Position	84,108	18,211
Amount included in current liabilities	(5,111)	(5,980)
Amount included in non-current liabilities	78,997	12,231

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

12. Retirement Benefit Obligation (continued)

Movements in the present value of defined benefit obligations:

	2009 £'000	2008 £'000
Balance at the start of the period	340,060	406,900
Service costs	1,070	2,904
Interest costs	20,941	23,321
Contribution from scheme members	3,261	3,730
Changes in assumptions underlying the defined benefit obligations	100,425	(80,193)
Benefits paid	(19,643)	(16,602)
Balance at the end of the period	446,114	340,060

Movements in the fair value of scheme assets:

	2009 £'000	2008 £'000
Balance at the start of the period	321,849	393,757
Expected return on scheme assets	21,209	26,810
Actual return less expected return on scheme assets	29,137	(92,340)
Contributions from the sponsoring companies	6,193	6,494
Contributions from scheme members	3,261	3,730
Benefits paid	(19,643)	(16,602)
Balance at the end of the period	362,006	321,849

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

	Expected return		Fair value of assets	
	2009 %	2008 %	2009 £'000	2008 £'000
Equity instruments	8.2	7.6	228,426	186,673
Debt instruments	5.2	5.4	86,157	90,118
Property	6.2	5.6	19,186	22,529
Other assets	4.8	1.5	28,237	22,529
	7.1	6.7	362,006	321,849

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

12. Retirement Benefit Obligation (continued)

Five year history:

	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligations	446,114	340,060	406,900	420,913	364,727
Fair value of scheme assets	362,006	321,849	393,757	375,474	309,538
Deficit in the scheme	84,108	18,211	13,143	45,439	55,189
Experience adjustments on scheme liabilities					
Amount (£'000)	(100,425)	80,193	30,179	2,547	(37,623)
Percentage of scheme liabilities (%)	(22.5%)	23.6%	7.4%	0.6%	(10.3%)
Experience adjustments on scheme assets					
Amounts (£'000)	29,137	(92,340)	(4,895)	7,828	36,454
Percentage of scheme assets (%)	8.0%	(28.7%)	(1.2%)	2.1%	11.8%

The estimated amounts of contributions expected to be paid to the scheme during 2010 is £5,111,000 (2008: £5,980,000).

13. Share Capital

	2009	2008
	£'000	£'000
Authorised		
860,000,000 Ordinary Shares of 10p each (2008: 860,000,000)	86,000	86,000
756,000 13.75% Cumulative Preference Shares of £1 each (2008: 756,000)	756	756
415,000 13.75% "A" Preference Shares of £1 each (2008: 415,000)	415	415
	87,171	87,171
Issued		
639,739,965 Ordinary Shares of 10p each (2008: 639,739,766)	63,974	63,974
756,000 13.75% Cumulative Preference Shares of £1 each (2008: 756,000)	756	756
349,600 13.75% "A" Preference Shares of £1 each (2008: 349,600)	350	350
	65,080	65,080

During the period ended 2 January 2010, the only change in the issued share capital of the Company was an exercise under the terms of the SAYE scheme of 199 Ordinary Shares of 10p for a consideration of £75.

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

Notes to the Condensed Consolidated Financial Statements for the 53 week period ended 2 January 2010 continued

14. Notes to the Cash Flow Statement

	2009 £'000	2008 £'000
Operating loss	(90,614)	(399,676)
Adjustments for:		
Intangible adjustment - non-recurring	—	93,893
Impairment of intangibles - non-recurring	126,000	417,522
Other non-cash non-recurring items	2,344	—
Depreciation of property, plant and equipment (including write-downs)	41,982	31,828
Currency differences	12	(80)
(Credit)/charge from share based payments	(108)	1,385
Profit on disposal of property, plant and equipment	(259)	(730)
Movement on pension provision	(3,449)	(3,645)
Operating cash flows before movements in working capital	75,908	140,497
Decrease/(increase) in inventories	3,167	(2,012)
Decrease in receivables	15,703	22,364
Decrease in payables	(897)	(16,301)
Cash generated from operations	93,881	144,548

Cash and cash equivalents (which are presented as a single class of assets on the face of the Statement of Financial Position) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

15. Guarantees and Other Financial Commitments

Tax assessment

As previously reported the Group has recorded a provision for £80.0 million, with an equal and opposite offset in debtors, regarding a tax assessment issued against one of the RIM companies acquired by Johnston Press in 2002 in relation to the prior sale of the RIM companies by United Business Media plc (UBM) in 1998. The debtor was recorded to reflect the terms of the full tax indemnity received by UBM at the time of the acquisition of the RIM Group by Johnston Press.

On 5 March 2010, UBM announced the resolution of this dispute with HMRC and that a payment (including interest) of £36.4 million would be made in March 2010. The Group has agreed with both UBM and HMRC that the payment will be paid direct from UBM to HMRC and so there will be no cash flow through the Johnston Press plc Group.