

**INTERIM RESULTS FOR THE 26 WEEKS ENDED 3 JULY 2010**

Johnston Press plc, one of the leading community media groups in the UK and Ireland, announces interim results for the 26 weeks ended 3 July 2010.

**KEY FINANCIALS**

	2010 26 Weeks £'m	2009 26 Weeks £'m	Change %
Revenue	207.3	218.6	(5.2)
Operating profit before non-recurring items <sup>(1)</sup>	40.5	38.2	5.9
Operating profit/(loss) after non-recurring items	44.0	(93.6)	
Profit/(loss) before tax	26.1	(94.2)	
Finance costs	(21.4)	(10.9)	95.5
Underlying earnings per share (before non-recurring items)	2.2p	3.1p	(29.5)
Basic earnings per share	4.0p	(10.6p)	

- ◇ Revenues
  - Total revenue down 5.2% to £207.3m
  - Rate of decline in total advertising revenues on a like-for-like basis continuing to reduce
    - 1<sup>st</sup> half 2010 -6.3% (excl RoI -5.2%)
    - 2<sup>nd</sup> half 2009 -18.1%
    - 1<sup>st</sup> half 2009 -32.7%
  - Resilient circulation revenues down 2.8% on the first half of 2009
  - Digital revenue growth of 10.9% up to £10.0m
    - primarily driven by recruitment site improvements launched last August
- ◇ Costs
  - Total costs for the first 26 weeks of 2010 were £13.6m lower than the comparable prior year period
- ◇ Operating Profit
  - Operating profit before non-recurring items<sup>(1)</sup> up 5.9% to £40.5m
  - First operating profit increase since the first half of 2006
  - Operating profit margin up by 2.0% to 19.5%
- ◇ Continued debt reduction
  - Net debt reduced by £20.9m since start of the year to £401.1m, despite significantly higher interest costs
- ◇ Digital business directory partnership signed with leading provider Qype

**OUTLOOK**

Commenting on these results, John Fry, Chief Executive Officer of Johnston Press plc said: "In the first half the Group achieved an operating profit before non-recurring items of £40.5m up from £38.2m in the prior year. This represents our first operating profit increase reported since 2006.

As we move into the second half of the year, we have seen the improving trend in advertising revenues continue with total advertising in the first six weeks on a like-for-like basis only down 3.7%. Within this performance digital revenues grew by 9.7%. Circulation revenues in July have also performed well and are down only 1.6%. These industry leading trends which demonstrate the strength of our publishing portfolio along with our continued focus on costs, efficiencies and debt reduction, give the Board confidence, in the absence of a further deterioration in the UK economy, that the outcome for the Group in 2010 will be in line with current market expectations."

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<sup>(1)</sup> Non-recurring items includes IAS 21/39 adjustments



## Johnston Press plc

### Chief Executive's Half Year Statement

**In the 26 weeks to 3 July 2010 the Group reported an operating profit (before non-recurring and IAS 21/39 items) of £40.5 million up from £38.2 million last year on revenues of £207.3 million (2009 £218.6 million). This represents the first year-on-year operating profit increase since the first half of 2006.**

While total revenues have continued to fall, the rate of decline has reduced considerably from 25.4% a year ago to 5.2% in the first half of this year. This, when combined with a cost base that continues to reduce, has enabled the Group to return to operating profit growth. Although overall revenues have declined, some advertising categories and geographic areas are performing well. Property advertising has turned around and grew by 9.5% over the prior year as volumes of properties sold increased. Digital revenue continued its growth from Q4 2009, driven by improvements to our recruitment sites launched in August last year and better selling of our display inventory. Overall digital revenues grew by 10.9% during the first half. As the economy has started to slowly recover there is evidence that the areas nearer London are recovering first. During the first half, print advertising revenues in the Midlands (flat on 2009) and the South (down 3.4% on 2009) have outperformed those in the North, Scotland and Ireland, however there have been some recent signs of improvement in the North of England. The lack of any significant improvement in the economic position of the Republic of Ireland has meant that this division continues to underperform.

Cost reductions have continued with full time equivalent headcount down from 5,640 at the start of the period to 5,417 at 3 July 2010, primarily through improving processes and investing in industry leading systems. These processes and systems have enabled an improvement in service for our customers as well as a reduction in costs. Most notable in the first half is the continued roll-out of our editorial system from one that was print based with digital elements developed in-house to a purchased editorial/content management system. This creates a single view of our editorial content and positions the Group to deliver this content via print, internet and mobile channels without the high level of rework the previous systems required. Around 80% of our editorial staff now use the improved system which will be rolled out to the rest of the Group during the second half of this year.

Net debt (excluding issue costs) reduced by £20.9 million to £401.1 million representing 4.3 times EBITDA, down from 4.5 times at 2 January 2010. Reducing the net debt to EBITDA ratio continues to be a central goal for the Group. The reduction in debt was achieved despite higher interest payments through improved profitability and tight control of debtors and cashflow. Our finance facilities agreed last year are in place until September 2012.

Earnings per share (EPS) before non-recurring and IAS 21/39 items were 2.2p (2009 3.1p) (see page 9). The reduction in EPS is entirely due to increased interest costs following the refinancing last August.

Following previous reductions in the carrying value of the Group's publishing titles and goodwill at December 2008 and June 2009, no further net impairment charges have been made.

In order to preserve cash and reduce net debt no interim ordinary dividend has been proposed.

### Outlook

As we move into the second half of the year, we have seen the improving trend in advertising revenues continue with total advertising in the first 6 weeks on a like-for-like basis down only 3.7%. Within this performance digital revenues grew by 9.7%. Circulation revenues in July have also performed well and are down only 1.6%. These industry leading trends which demonstrate the strength of our publishing portfolio along with our continued focus on costs, efficiencies and debt reduction, give the Board confidence that, in the absence of a further deterioration in the UK economy, the outcome for the Group in 2010 will be in line with current market expectations.

### Business Environment and the Market Place

As the economy slowed down and then moved into recession we saw an immediate and significant impact on our advertising revenues. Particularly badly hit were those categories involving discretionary purchases such as homes or cars together with job related advertising as employers reduced their rate of recruitment. During 2008 the rate of decline increased until Q1 2009, at which time the advertising revenue decline peaked at 34.0%. Since then we have seen a

steady reduction in the rate of decline with each quarter showing an improvement on the previous one; total advertising revenues in Q2 2010 fell by 4.7% and July/August (6 weeks) by 3.7%. Table 1 shows the Group's total advertising revenue performance over the first half of 2010 on a like-for-like basis. Like-for-like eliminates the impact of the 53rd week in 2009 and movements in foreign exchange rates. Statistics reported by the Advertising Association across all media show similar trends with declines reaching a high point in Q1 2009 and reducing thereafter.

**Table 1 – Like-for-Like Print and Digital Advertising Revenue Summary**

	% variance year-on-year		
	H1	Q1	Q2
Display	(3.6)	(2.5)	(4.8)
Employment	(16.0)	(20.7)	(10.0)
Property	12.6	14.7	10.7
Motors	(9.8)	(13.1)	(6.2)
Other Classified	(7.0)	(9.6)	(4.1)
<b>Total UK</b>	<b>(5.2)</b>	<b>(6.8)</b>	<b>(3.6)</b>
Republic of Ireland	(25.0)	(25.8)	(24.2)
<b>Total Group advertising revenue</b>	<b>(6.3)</b>	<b>(7.8)</b>	<b>(4.7)</b>

The Advertising Association has reported that digital advertising continues to increase its overall market share, growing by 9.2% during Q1 2010. While this rate of growth is slower than during the past 5 years it is on a significantly higher base and now represents 26.6% of total advertising (includes search-related revenues). Digital competition has had a particularly significant impact on print classified advertising where some customers have moved spend to digital alternatives; motor and employment advertising have been particularly affected. Property advertising has traditionally been seen as classified advertising but appears to have display-like characteristics as estate agents advertise to both sell properties and gain brand profile in an effort to increase their share of instructions. As the recession has hit classified advertising particularly hard our vulnerability to further structural losses has been reduced.

Within newspapers a gap has emerged between weekly and daily titles in terms of their advertising performance. Across the industry, advertising in weekly paid-for newspapers only declined by 0.6% during the first quarter of 2010 whereas daily and free newspapers suffered falls of 5.2% and 7.3% respectively. Weekly paid-for newspapers also have better circulation trends with declines 1.8% below those seen by dailies. Johnston Press has more weekly paid-for newspapers than any other UK publisher and 41.6% of our advertising revenues comes from these titles.

#### **Trading Review and Summary Performance**

Following the rapid declines in total advertising revenues that the Group experienced during the second half of 2008 and the first half of 2009 the advertising environment has become more stable. From a decline of 32.7% in the first half of 2009, total advertising fell by 6.3% (see table 1) in the first half of 2010.

Looking initially at print advertising where all categories were in decline, some have now returned to growth. The best performer in the current period was property, up 9.5% on last year. The most difficult category continues to be employment which was down 23.3%. Display revenues did not experience such rapid declines as we went into the recession and continue to be more stable with national and local display combined, down only 3.7% year-on-year in the first half of 2010. As the economy has stabilised, regional differences have appeared. Those regions first into recession in the more southerly parts of England appear to be recovering first. Advertising revenues in the Midlands were flat on last year and in the South were down by only 3.4%. The most difficult geography remains the Republic of Ireland which is subject to different economic conditions from the UK, and, as a result, has seen advertising revenues fall by 29.0%.

**Table 2 - Summary Group Operating Statement**

	<b>2010</b>	2009	Variance	
	<b>£'m</b>	£'m	£'m	%
<b>Revenue</b>				
Print advertising	<b>124.1</b>	132.5	(8.4)	(6.3)
Newspaper sales	<b>49.1</b>	50.5	(1.4)	(2.8)
Digital	<b>10.0</b>	9.0	1.0	10.9
Contract printing	<b>14.0</b>	16.9	(2.9)	(17.1)
Other	<b>10.1</b>	9.7	0.4	4.2
<b>Total revenue</b>	<b>207.3</b>	218.6	(11.3)	(5.2)
<b>Total costs*</b>	<b>166.8</b>	180.4	(13.6)	(7.5)
<b>Operating profit*</b>	<b>40.5</b>	38.2	2.3	5.9

\* Before non-recurring and IAS 21/39 items (see page 9)

Newspaper sales revenues were down 2.8% on the comparable period of 2009, this being impacted by the move to wholesale of certain of our titles which increases sales discounts but results in overall net savings to the Group. Circulations of paid-for newspapers declined by an average of 5.1% (weeklies) and 6.9% (dailies). The programme to preserve circulations has succeeded in reducing the rate of decline by improving the availability of newspapers in retail outlets and the quality of newspapers through an editorial review process and increased pagination in some titles. The editorial review process utilises feedback from readers and a panel of editors to develop changes that will keep newspapers fresh and up to date. Over 10,000 readers have been recruited to reader panels and continue to give feedback.

Digital revenues, which are discussed in more detail below, grew by 10.9% in the period with this growth being led by the successful re-launch of our employment proposition in the second half of 2009.

Contract printing revenues were £14.0 million down 17.1% on the first half of 2009. The reduction is primarily driven by the loss of the Financial Times contract in the second half of 2009.

Other revenues were £0.4 million or 4.2% up year-on-year with a reduction in the volumes of leaflets carried by our free newspapers being more than offset by increases in certain sundry revenue streams.

Total revenue for the Group for the 26 weeks to 3 July 2010 was £207.3 million down 5.2% on the comparable period in the prior year.

Given the continued revenue declines the Group continues to manage its cost base carefully. In total, costs have decreased by £13.6 million. Of this, cost of sales reduced by £11.3 million with an element being the impact of newsprint price reductions but the majority being the result of restructuring programmes in printing, distribution and prepress carried out through 2009 and early 2010. The benefit of reduced newsprint prices enjoyed in the first half of 2010 will reduce in the second half as price increases have been implemented from 1 July 2010.

Operating expenses (before non-recurring and IAS 21/39 items) have reduced by £2.3 million in the 26 weeks to 3 July 2010. Savings have come mainly from the implementation of new technologies, and centralisation of back office activities.

The operating profit margin before non-recurring and IAS 21/39 items for the 26 week period was 19.5% up from 17.5% in the same period in 2009. This is the first time the Group has been able to achieve an operating profit margin improvement since 2005. Operating profit before non-recurring items at £40.5 million was 5.9% higher than in 2009. Finance costs, as detailed in the table, were the reason that this performance did not translate into increased earnings.

**Table 3 – Group Interest Costs**

	<b>2010</b>	2009
	<b>£'m</b>	£'m
Net interest paid or payable	<b>16.1</b>	10.5
Payment-in-kind (PIK) accrual	<b>2.9</b>	–
Amortisation of facility costs	<b>2.4</b>	0.4
	<b>21.4</b>	10.9

In the period, the Group had net non-recurring income of £3.5 million. This consisted of a credit of £6.3 million representing the reduction in pension scheme liabilities as a result of the closure to future accrual of the defined benefit pension scheme and gains on disposal of surplus assets of £0.9 million. These gains more than offset the restructuring and redundancy costs of £3.7 million incurred. In addition, there was a non-recurring tax credit during the period arising from the release of £3.0 million surplus corporation tax provision in respect of prior years and the release of provision for tax on the non-recurring cost associated with the refinancing in 2009.

For the first half, the Group generated an operating profit of £44.0 million compared to an operating loss of £93.6 million in the comparable period last year. This movement is primarily due to there being no further net impairment in the current period.

#### **Digital/Strategy**

As mentioned above, digital revenues grew by 10.9% during the first half of 2010 to £10.0 million. The re-launched jobs platform and display revenues performed particularly well. Since re-launch, volumes of activity on the jobs site have increased significantly with CVs posted up 400%, unique visitors up 193% and job applications up 1,381% on a year ago. Our position within the local markets we serve, measured by the number of jobs and visitors to our local sites, has therefore improved markedly since the re-launch. This has enabled the Group to significantly improve its share of our local markets and become the market leader in many of those geographies. The Group's offer of a unique combination of digital and print advertising is well received by customers and provides an excellent response to their advertisements. The Group is therefore well positioned to grow employment advertising as markets recover from the economic downturn.

As part of our continued strategy to partner with industry leading players and software providers, the Group has concluded a deal with Qype to integrate their digital directory proposition within the Group's local websites. Qype operates digital directory sites in several European countries including Germany where the business was founded in 2005. This will replace and significantly upgrade the existing in-house developed directory website. As well as integrating context specific content into local websites this software will provide a local entertainment and events database.

#### **Cash Flow/Net Debt**

Net debt excluding issue costs at 3 July 2010 was £401.1 million, a reduction of £20.9 million from the start of the year. Given this positive cash flow, the Group brought forward the repayments of facilities that were scheduled for 30 June 2010 (£15.0 million) and 31 December 2010 (£10.0 million) to 30 April 2010. This resulted in all of the Payment-in-Kind (PIK) interest accrued to date on these amounts being cancelled.

The reduction in debt was achieved despite the seasonal adverse movement in working capital, principally trade debtors, which tends to reverse in the second half of the year. Capital expenditure continues to be well controlled totalling only £2.4 million in the first half and there have been disposals of excess properties and plant which generated inflows of £3.5 million. Interest paid in the first half was £16.1 million, up 37.4% on last year despite debt being £23.0 million lower than at 30 June 2009. This unfortunately reflects the banking climate within which the Group refinanced last year.

During the period, the Group reduced its exposure to movements in the Euro/Sterling exchange rate by converting €25 million of debt into Sterling. This resulted in £1.6 million of the £3.3 million translation gain reported in the Income

Statement being realised. The total Euro denominated debt at 3 July 2010 is €23 million, equivalent to £18.9 million at the period end rate.

The Group continues to operate comfortably within the covenants set by these financing arrangements and saw a reduction of 0.25% in the facility margin when the Net Debt to EBITDA ratio dropped below 4.5 times at 31 March 2010.

The Board has undertaken a recent and thorough review of the Group's forecasts and associated risks. These forecasts extend for a period beyond one year from the date of approval of these interim financial statements. This review recognised the ongoing economic uncertainty, the continued caution seen in advertising experienced across the publishing and media sectors and the improved trends in terms of reduced year-on-year declines experienced in the second half of 2009 which have continued into the first half of 2010. The forecasts make key assumptions, based on information available to the Directors, around:

- Future advertising revenues which show continued improvement in terms of reduced year-on-year declines through 2010 with the latter part of the year and 2011 showing greater stability. This is consistent with current external economic forecasts and existing advertising trends;
- Continued cost reduction measures reflecting the reduction in Group revenues; and
- Increased interest costs over the period of the current financing arrangements.

After applying reasonable downside scenarios to the key assumptions underpinning these forecasts, the Directors are satisfied that the Group would continue to operate within the covenants determined by the financing arrangements.

#### **Pension Fund**

The defined benefit section of the Johnston Press Pension Plan (JPPP) was closed to future accrual from 30 June 2010. The impact of this within the half year financial information is the inclusion of a non-recurring curtailment credit of £6.3 million in the Income Statement. This reflects the reduction in plan liabilities following the removal of the assumption that future pensionable salaries will increase faster than the rate of inflation. The IAS 19 pension fund deficit at the end of the period was £92.7 million, an increase of £8.6 million from the start of the year. The cessation of future accrual and reduced inflation assumptions have been offset by the negative impact of using a lower discount rate to estimate future liabilities and the reduction in the value of plan assets over the period. This reduction in asset values, which occurred mainly between mid June and the end of the period, has now been more than reversed.

#### **Business Risks**

Our 2009 Annual Report and Accounts described in detail the principal risks faced by the business. In particular, we are affected by the general economic conditions of the markets in which we operate. Although there are indications of some economic recovery in most of these markets, our performance remains affected by factors that are mainly outwith our control, and in particular changes in gross domestic product (GDP), the level of unemployment, the levels of property transactions and new car sales. Consumer confidence has remained low throughout the United Kingdom and Republic of Ireland and concerns continue over a further downturn in economic performance in the UK and the levels of future GDP growth. We also anticipate an adverse impact from the UK coalition Government's intention to significantly reduce public spending as that could potentially reduce public sector recruitment advertising and the volume of public notices. In the first half of 2010, public sector advertising represented 11.5% of total advertising revenues however not all of this is at risk.

The Annual Report highlighted a number of areas where the Group was taking steps to mitigate identified risks and we continue to address these. Work has continued to roll-out our enhanced local websites across the portfolio, together with improved online offerings in a number of classified fields to complement our upgraded online jobs facility introduced last year and grow digital revenues. An agreement in respect of digital directories has now been concluded. Similar work has continued to support circulations of newspapers and to concentrate on delivering a high quality product. We believe that we can continue to improve the operation of our business through appropriate and focused investment, both in technology and the quality of our products and services which we deliver to local communities. Our unique local position continues to allow us to offer advertisers high levels of local market penetration and our challenge is to improve our ability to monetise this advantage. Although the Group's dependence on classified advertising has reduced significantly and the decline in total advertising is slowing, there remains the risk of further structural change to advertising patterns and continued circulation declines.

### **Board Changes**

In our Annual Report published in March 2010 we indicated that a process was underway to appoint an additional Independent Non-Executive Director to our Board. I am pleased to say that on 20 July 2010 we announced the appointment of Kjell Aamot as a Director. Kjell was Chief Executive Officer of Schibsted ASA, the Norwegian publisher, from 1989 to 2009. In that time he was instrumental in transforming it from a family owned business to an international multi media company. He remains a Non-Executive Member of the Board of 20Minutes (a publisher of free papers in France) in which Schibsted has a 50% interest and is also a Non-Executive Member of the Board of PubliGroupe, a Swiss based listed marketing and sales organisation, and an advisor to FSN Capital, an Oslo based private equity firm. His skills and experience will be a tremendous asset to Johnston Press and we are delighted to welcome him to our Board.

### **John Fry**

Chief Executive Officer

25 August 2010

## Responsibility Statement

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- (b) the Chief Executive's Half Year Statement includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 26 weeks and description of principal risks and uncertainties for the remaining 26 weeks of the financial year); and
- (c) the Chief Executive's Half Year Statement includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

**John Fry**  
Chief Executive Officer

**Stuart Paterson**  
Chief Financial Officer

25 August 2010

25 August 2010

## **Independent Review Report to Johnston Press plc 26 Weeks to 3 July 2010**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks to 3 July 2010 which comprises the Group Income Statement, the Group Statement of Comprehensive Income, the Group Reconciliation of Shareholders' Equity, the Group Statement of Financial Position, the Group Statement of Cash Flows and the related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

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

### **Our responsibility**

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

### **Scope of Review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks to 3 July 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

### **Deloitte LLP**

Chartered Accountants  
and Statutory Auditors  
Edinburgh, United Kingdom

25 August 2010

**Group Income Statement (unaudited)**  
**26 Weeks to 3 July 2010**

	Notes	26 weeks to 03.07.10				26 weeks to 26.06.09				53 Weeks to 02.01.10 Total £'000
		Before non- recurring items £'000	Non- recurring items £'000	IAS 21/39 £'000	Total £'000	Before non- recurring items £'000	Non- recurring items £'000	IAS 21/39 £'000	Total £'000	
<b>Revenue</b>	3a	<b>207,266</b>	—	—	<b>207,266</b>	218,604	—	—	218,604	427,996
Cost of sales		<b>(122,423)</b>	—	—	<b>(122,423)</b>	(133,763)	—	—	(133,763)	(264,312)
<b>Gross profit</b>		<b>84,843</b>	—	—	<b>84,843</b>	84,841	—	—	84,841	163,684
Operating expenses	4	<b>(44,372)</b>	<b>(2,813)</b>	—	<b>(47,185)</b>	(46,619)	(5,849)	—	(52,468)	(128,298)
Impairment of intangibles	4	—	—	—	—	—	(126,000)	—	(126,000)	(126,000)
Curtailement gain	4/15	—	<b>6,300</b>	—	<b>6,300</b>	—	—	—	—	—
<b>Total operating expenses</b>		<b>(44,372)</b>	<b>3,487</b>	—	<b>(40,885)</b>	(46,619)	(131,849)	—	(178,468)	(254,298)
<b>Operating profit/(loss)</b>	3	<b>40,471</b>	<b>3,487</b>	—	<b>43,958</b>	38,222	(131,849)	—	(93,627)	(90,614)
Investment income	8	<b>21</b>	—	—	<b>21</b>	57	—	—	57	72
Net finance income on pension assets/liabilities	9a	<b>203</b>	—	—	<b>203</b>	95	—	—	95	268
Change in fair value of hedges	10	—	—	<b>6,196</b>	<b>6,196</b>	—	—	(23,320)	(23,320)	(12,295)
Retranslation of USD debt		—	—	<b>(6,215)</b>	<b>(6,215)</b>	—	—	15,965	15,965	11,756
Retranslation of Euro debt		—	—	<b>3,349</b>	<b>3,349</b>	—	—	17,592	17,592	15,211
Finance costs	9b	<b>(21,373)</b>	—	—	<b>(21,373)</b>	(10,933)	—	—	(10,933)	(38,195)
Share of results of associates		<b>10</b>	—	—	<b>10</b>	15	—	—	15	22
<b>Profit/(loss) before tax</b>		<b>19,332</b>	<b>3,487</b>	<b>3,330</b>	<b>26,149</b>	27,456	(131,849)	10,237	(94,156)	(113,775)
Tax	5	<b>(5,049)</b>	<b>5,389</b>	<b>(933)</b>	<b>(593)</b>	(7,230)	31,618	2,223	26,611	26,517
<b>Profit/(loss) for the period</b>		<b>14,283</b>	<b>8,876</b>	<b>2,397</b>	<b>25,556</b>	20,226	(100,231)	12,460	(67,545)	(87,258)
<b>Earnings per share (p)</b>	7									
- Basic		<b>2.22</b>	<b>1.39</b>	<b>0.37</b>	<b>3.98</b>	3.15	(15.67)	1.95	(10.57)	(13.66)
- Diluted		<b>2.19</b>	<b>1.37</b>	<b>0.37</b>	<b>3.92</b>	3.15	(15.67)	1.95	(10.57)	(13.66)

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

**Group Statement of Comprehensive Income (unaudited)**  
**26 Weeks to 3 July 2010**

	Revaluation Reserve £'000	Hedging and Translation Reserve £'000	Retained Earnings £'000	Total £'000
Profit for the period	—	—	25,556	25,556
Actuarial loss on defined benefit pension schemes (net of tax)	—	—	(11,928)	(11,928)
Revaluation adjustment	(37)	—	37	—
Exchange differences on translation of foreign operations	—	(5,112)	—	(5,112)
Deferred taxation	—	1,037	—	1,037
<b>Total comprehensive income for the period</b>	<b>(37)</b>	<b>(4,075)</b>	<b>13,665</b>	<b>9,553</b>

**Group Statement of Comprehensive Income (unaudited)**  
**26 Weeks to 26 June 2009**

	Revaluation Reserve £'000	Hedging and Translation Reserve £'000	Retained Earnings £'000	Total £'000
Loss for the period	—	—	(67,545)	(67,545)
Actuarial loss on defined benefit pension schemes (net of tax)	—	—	(42,395)	(42,395)
Revaluation adjustment	(34)	—	34	—
Exchange differences on translation of foreign operations	—	(16,368)	—	(16,368)
Deferred taxation	—	2,372	—	2,372
<b>Total comprehensive loss for the period</b>	<b>(34)</b>	<b>(13,996)</b>	<b>(109,906)</b>	<b>(123,936)</b>

## Group Reconciliation of Shareholders' Equity (unaudited)

### 26 Weeks to 3 July 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
<b>Opening balances</b>	65,080	502,818	19,346	2,308	(5,004)	13,206	(227,730)	370,024
<b>Total comprehensive income for the period</b>	—	—	—	(37)	—	(4,075)	13,665	9,553
<b>Recognised directly in equity</b>								
Dividends (note 6)	—	—	—	—	—	—	(76)	(76)
New share capital subscribed	—	1	—	—	—	—	—	1
Provision for share-based payments	—	—	(724)	—	—	—	—	(724)
<b>Net change directly in equity</b>	—	1	(724)	—	—	—	(76)	(799)
<b>Total movements</b>	—	1	(724)	(37)	—	(4,075)	13,589	8,754
<b>Equity at the end of the period</b>	65,080	502,819	18,622	2,271	(5,004)	9,131	(214,141)	378,778

## Group Reconciliation of Shareholders' Equity (unaudited)

### 26 Weeks to 26 June 2009

	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
<b>Opening balances</b>	65,080	502,818	10,064	2,396	(4,412)	26,561	(88,687)	513,820
<b>Total comprehensive loss for the period</b>	—	—	—	(34)	—	(13,996)	(109,906)	(123,936)
<b>Recognised directly in equity</b>								
Dividends (note 6)	—	—	—	—	—	—	(76)	(76)
Provision for share-based payments	—	—	(849)	—	—	—	—	(849)
<b>Net change directly in equity</b>	—	—	(849)	—	—	—	(76)	(925)
<b>Total movements</b>	—	—	(849)	(34)	—	(13,996)	(109,982)	(124,861)
<b>Equity at the end of the period</b>	65,080	502,818	9,215	2,362	(4,412)	12,565	(198,669)	388,959

**Group Statement of Financial Position (unaudited)**

At 3 July 2010

	Notes	03.07.10 £'000	26.06.09 £'000	02.01.10 £'000
<b>Non-current assets</b>				
Goodwill	14	864	864	864
Other intangible assets	14	918,366	916,796	922,513
Property, plant and equipment		208,943	247,684	219,608
Available-for-sale investments		970	2,712	970
Interests in associates		12	23	30
Trade and other receivables		26	22	16
Derivative financial instruments	10	21,615	13,729	15,794
		<b>1,150,796</b>	1,181,830	1,159,795
<b>Current assets</b>				
Inventories		3,467	3,830	3,293
Trade and other receivables	16	55,875	143,234	88,822
Cash and cash equivalents	12	14,768	24,438	12,279
		<b>74,110</b>	171,502	104,394
<b>Total assets</b>		<b>1,224,906</b>	1,353,332	1,264,189
<b>Current liabilities</b>				
Trade and other payables		51,841	52,634	50,366
Tax liabilities	16	14,156	105,248	57,896
Obligations under finance leases		—	8	—
Retirement benefit obligation	15	2,200	5,980	5,111
Borrowings	12	10,592	4,747	31,465
Derivative financial instruments	10	2,144	3,132	1,045
		<b>80,933</b>	171,749	145,883
<b>Non-current liabilities</b>				
Borrowings	12	409,063	448,976	398,090
Retirement benefit obligation	15	90,458	67,471	78,997
Derivative financial instruments	10	4,332	4,741	5,806
Deferred tax liabilities		257,835	267,574	261,454
Trade and other payables		1,719	2,049	2,077
Long term provisions		1,788	1,813	1,858
		<b>765,195</b>	792,624	748,282
<b>Total liabilities</b>		<b>846,128</b>	964,373	894,165
<b>Net assets</b>		<b>378,778</b>	388,959	370,024
<b>Equity</b>				
Share capital		65,080	65,080	65,080
Share premium account		502,819	502,818	502,818
Share-based payments reserve		18,622	9,215	19,346
Revaluation reserve		2,271	2,362	2,308
Own shares		(5,004)	(4,412)	(5,004)
Hedging and translation reserve		9,131	12,565	13,206
Retained earnings		(214,141)	(198,669)	(227,730)
<b>Total equity</b>		<b>378,778</b>	388,959	370,024

**Group Statement of Cash Flows (unaudited)**  
**26 Weeks to 3 July 2010**

	Notes	26 Weeks to 03.07.10 £'000	26 Weeks to 26.06.09 £'000	53 Weeks to 02.01.10 £'000
<b>Cash flows from operating activities</b>				
Cash generated from operations	11	41,218	47,971	93,881
Income tax paid		(5,440)	(120)	(4,715)
<b>Net cash generated from operating activities</b>		<b>35,778</b>	<b>47,851</b>	<b>89,166</b>
<b>Investing activities</b>				
Interest received		21	54	72
Dividends received from associated undertakings		25	55	52
Proceeds on disposal of property, plant and equipment		3,518	492	785
Proceeds on disposal of titles		—	—	131
Purchases of property, plant and equipment		(2,384)	(1,027)	(3,946)
<b>Net cash generated from/(used in) investing activities</b>		<b>1,180</b>	<b>(426)</b>	<b>(2,906)</b>
<b>Financing activities</b>				
Dividends paid		(76)	(76)	(152)
Interest paid		(16,084)	(11,707)	(27,841)
Repayment of borrowings		(9,606)	(27,892)	(42,851)
Repayment of private placement loan notes		(7,953)	—	—
Payments under finance leases		—	(5)	(13)
Arrangement fees on refinancing		(294)	—	(16,027)
Decrease in bank overdrafts		(456)	(3,442)	(7,232)
<b>Net cash used in financing activities</b>		<b>(34,469)</b>	<b>(43,122)</b>	<b>(94,116)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,489</b>	<b>4,303</b>	<b>(7,856)</b>
Cash and cash equivalents at the beginning of period		12,279	20,135	20,135
<b>Cash and cash equivalents at the end of period</b>		<b>14,768</b>	<b>24,438</b>	<b>12,279</b>

## Notes to the Interim Financial Information (unaudited)

### 1. General Information

The condensed financial information for the 26 weeks to 3 July 2010 does not constitute statutory accounts for the purposes of Section 434 of the Companies Act 2006 and has not been audited. No statutory accounts for the period have been delivered to the Registrar of Companies. This half-yearly financial report constitutes a dissemination announcement in accordance with Section 6.3 of the Disclosure and Transparency Rules.

The condensed financial information in respect of the 53 weeks ended 2 January 2010 has been produced using extracts from the statutory accounts for this period. Consequently, this does not constitute the statutory information (as defined in section 434 of the Companies Act 2006) for the 53 weeks ended 2 January 2010, which was audited. The statutory accounts for this period have been filed with the Registrar of Companies. The auditors' report was unqualified and did not contain a statement under Sections 498 (2) or 498 (3) of the Companies Act 2006.

The next annual financial statements of the Group for the 52 weeks to 1 January 2011 will be prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The financial information in this Interim Report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules. IFRIC 14 has been taken into consideration in valuing the pension scheme at 3 July 2010 although it has no financial impact. The auditors have reviewed the financial information in this Interim Report and their report is set out on page 8.

The Interim Report was approved by the Directors on 25 August 2010 and is being sent to shareholders on the same date. It is also available on the Company's website at [www.johnstonpress.co.uk](http://www.johnstonpress.co.uk).

### 2. Accounting Policies

#### Basis of preparation

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Half Year Statement. This statement also includes a summary of the Group's financial position, its cash flows and borrowing facilities.

Overall, the Directors believe the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities.

After making reasonable enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly condensed financial information.

#### Basis of accounting

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest audited annual financial statements.

#### Critical judgements in applying the Group's accounting policies

In applying the entity's accounting policies, management has made certain judgements in respect of the identification of intangible assets based on forecasts and market analysis. The valuation of intangible assets is reviewed for impairment at each reporting date or more frequently if necessary. These judgements have the most significant effect on the amounts recognised in the Group's interim financial information.

#### Key sources of estimation uncertainty

The significant assumptions concerning the key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year have been consistently applied to all the periods presented and are set out in the Group's annual consolidated financial statements.

## Notes to the Interim Financial Information (unaudited) continued

### 3. Business Segments

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is focused on the two operating segments of Newspaper Publishing (in print and online) and Contract Printing. These are the only two operating segments of the Group.

#### a) Segment revenues and results

	Newspaper Publishing 26 weeks to 03.07.10 £'000	Contract Printing 26 weeks to 03.07.10 £'000	Eliminations 26 weeks to 03.07.10 £'000	Group 26 weeks to 03.07.10 £'000
<b>Revenue</b>				
External sales	192,528	14,738	—	207,266
Inter-segment sales	—	30,625	(30,625)	—
<b>Total revenue</b>	<b>192,528</b>	<b>45,363</b>	<b>(30,625)</b>	<b>207,266</b>
<b>Result</b>				
Segment result before non-recurring items	37,626	2,845	—	40,471
Non-recurring items	4,072	(585)	—	3,487
<b>Net segment result</b>	<b>41,698</b>	<b>2,260</b>	<b>—</b>	<b>43,958</b>
Investment income				21
Net finance income on pension assets/liabilities				203
Finance costs				(21,373)
Net IAS 21/39 adjustments				3,330
Share of results of associates				10
<b>Profit before tax</b>				<b>26,149</b>
Tax				(593)
<b>Profit after tax for the period</b>				<b>25,556</b>

Inter-segment sales are charged on an arm's length basis.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Group financial statements for the 53 weeks to 2 January 2010. Segment result represents the profit 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 for the purposes of resource allocation and assessment of segment performance.

The Group, in common with the rest of the publishing industry, is subject to the main holiday periods of Easter, summer and Christmas. Since these fall across both half years, the Group's financial results are not usually subject to significant seasonal variations.

## Notes to the Interim Financial Information (unaudited) continued

### 3. Business Segments (continued)

#### a) Segment revenues and results (continued)

	Newspaper Publishing 26 weeks to 26.06.09 £'000	Contract Printing 26 weeks to 26.06.09 £'000	Eliminations 26 weeks to 26.06.09 £'000	Group 26 weeks to 26.06.09 £'000	Newspaper Publishing 53 weeks to 02.01.10 £'000	Contract Printing 53 weeks to 02.01.10 £'000	Eliminations 53 weeks to 02.01.10 £'000	Group 53 weeks to 02.01.10 £'000
<b>Revenue</b>								
External sales	201,739	16,865	—	218,604	395,294	32,702	—	427,996
Inter-segment sales	—	33,325	(33,325)	—	—	67,305	(67,305)	—
<b>Total revenue</b>	<b>201,739</b>	<b>50,190</b>	<b>(33,325)</b>	<b>218,604</b>	<b>395,294</b>	<b>100,007</b>	<b>(67,305)</b>	<b>427,996</b>
<b>Result</b>								
Segment result before non-recurring items	33,911	4,311	—	38,222	61,590	10,194	—	71,784
Non-recurring items	(131,598)	(251)	—	(131,849)	(138,432)	(23,966)	—	(162,398)
<b>Net segment result</b>	<b>(97,687)</b>	<b>4,060</b>	<b>—</b>	<b>(93,627)</b>	<b>(76,842)</b>	<b>(13,772)</b>	<b>—</b>	<b>(90,614)</b>
Cost of issuing warrants - non-recurring				—				(9,390)
Investment income				57				72
Net finance income on pension assets/liabilities				95				268
Finance costs				(10,933)				(28,805)
Net IAS 21/39 adjustments				10,237				14,672
Share of results of associates				15				22
<b>Loss before tax</b>				<b>(94,156)</b>				<b>(113,775)</b>
Tax				26,611				26,517
<b>Loss after tax for the period</b>				<b>(67,545)</b>				<b>(87,258)</b>

#### b) Segment assets

	<b>03.07.10</b> <b>£'000</b>	26.06.09 £'000	02.01.10 £'000
<b>Assets</b>			
Newspaper Publishing	<b>1,051,459</b>	1,153,303	1,080,533
Contract Printing	<b>150,862</b>	183,588	166,892
<b>Total segment assets</b>	<b>1,202,321</b>	1,336,891	1,247,425
Unallocated assets	<b>22,585</b>	16,441	16,764
<b>Consolidated total assets</b>	<b>1,224,906</b>	1,353,332	1,264,189

For the purposes of monitoring segment performance and allocating resources between segments, the Group's Chief Executive 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 Interim Financial Information (unaudited) continued

### 3. Business Segments (continued)

#### c) Other segment information

	Newspaper Publishing 03.07.10 £'000	Contract Printing 03.07.10 £'000	Group 03.07.10 £'000	Newspaper Publishing 26.06.09 £'000	Contract Printing 26.06.09 £'000	Group 26.06.09 £'000	Newspaper Publishing 02.01.10 £'000	Contract Printing 02.01.10 £'000	Group 02.01.10 £'000
Additions to property, plant and equipment	2,299	36	2,335	447	132	579	2,172	235	2,407
Depreciation expense*	4,682	5,270	9,952	5,341	6,689	12,030	12,432	29,550	41,982
Net impairment of intangibles	—	—	—	126,000	—	126,000	126,000	—	126,000

\* includes non-recurring items in the 53 weeks to 2 January 2010

### 4. Non-Recurring Items

Non-recurring items within operating expenses are:

	26 Weeks to 03.07.10 £'000	26 Weeks to 26.06.09 £'000	53 Weeks to 02.01.10 £'000
Restructuring costs of existing businesses	3,672	5,369	14,573
Gain on sale of assets	(859)	—	—
Write down of value of presses in existing businesses	—	—	18,950
Costs relating to aborted disposal of Republic of Ireland businesses	—	480	531
Write down of assets relating to disposed title	—	—	602
Impairment of intangibles (note 14)	—	126,000	126,000
Impairment of unlisted investment	—	—	1,742
Curtailed gain regarding pension scheme (note 15)	(6,300)	—	—
<b>Non-recurring operating items</b>	<b>(3,487)</b>	<b>131,849</b>	<b>162,398</b>
Non-recurring finance costs:			
Warrants issued	—	—	9,390
<b>Total non-recurring items</b>	<b>(3,487)</b>	<b>131,849</b>	<b>171,788</b>

## Notes to the Interim Financial Information (unaudited) continued

### 5. Tax

#### The tax charge/(credit) comprises

	<b>26 Weeks to 03.07.10 £'000</b>	26 Weeks to 26.06.09 £'000	53 Weeks to 02.01.10 £'000
Corporation tax	1,455	5,761	6,389
Deferred tax Charge/(credit) for period	<b>2,048</b>	(32,372)	(32,906)
<b>Total tax charge/(credit)</b>	<b>593</b>	(26,611)	(26,517)
<b>Reconciliation of tax charge/(credit)</b>			
Standard rate of corporation tax	<b>28%</b>	28%	28%
Profit/(loss) before tax at standard corporation tax rate	<b>7,322</b>	(26,364)	(31,857)
Tax effect of items that are not deductible or not taxable in determining taxable profit	<b>573</b>	(669)	5,290
Tax effect of share of results of associate	<b>(3)</b>	(4)	(6)
Tax effect of investment income	—	—	15
Effect of different tax rates on subsidiaries	<b>(276)</b>	1,529	383
Other items	<b>(362)</b>	(438)	—
Losses carried back	—	—	373
Adjustment in respect of prior years	<b>(6,661)</b>	(665)	(715)
<b>Total tax charge/(credit)</b>	<b>593</b>	(26,611)	(26,517)

Corporation tax for the interim period is charged at 2.3% (26 June 2009: credited at 28.3%). This is lower than the standard rate of corporation tax of 28% due to the release of a £3.0 million surplus corporation tax creditor in respect of prior years and the release of a provision in respect of the non-recurring cost of the refinancing in 2009.

The Group estimates that the future rate changes to 24% would reduce its UK actual deferred tax liability provided at 3 July 2010 by £36.3 million, however the impact will be dependent on our deferred tax position at that time.

### 6. Dividends

	<b>26 Weeks to 03.07.10 £'000</b>	26 Weeks to 26.06.09 £'000	53 Weeks to 02.01.10 £'000
<b>Amounts recognised as distributions in the period:</b>			
Dividends paid			
Ordinary	—	—	—
Preference	<b>76</b>	76	152
	<b>76</b>	76	152
	<b>Pence</b>	Pence	Pence
<b>Dividend paid per share</b>			
Ordinary	—	—	—
Preference	<b>6.875</b>	6.875	6.875

The Board has decided to pay no interim dividend. There were no dividends proposed but not paid or included in the accounting records in either of the comparative periods shown.

## Notes to the Interim Financial Information (unaudited) continued

### 7. Earnings Per Share

	<b>26 Weeks to 03.07.10 £'000</b>	26 Weeks to 26.06.09 £'000	53 Weeks to 02.01.10 £'000
Profit/(loss) for the period	25,556	(67,545)	(87,258)
Preference dividend	(76)	(76)	(152)
Profit/(loss) after tax for basic EPS earnings	<b>25,480</b>	(67,621)	(87,410)
Non-recurring items and IAS 21/39 adjustments after tax (notes 4 & 5)	<b>(11,273)</b>	87,771	122,804
Underlying EPS earnings	<b>14,207</b>	20,150	35,394
Number of shares	<b>000's</b>	000's	000's
Weighted number of ordinary shares for the purpose of basic EPS	<b>639,742</b>	639,740	639,740
Effect of dilutive potential ordinary shares – warrants	<b>9,665</b>	—	5,680
Number of shares – diluted earnings per share	<b>649,407</b>	639,740	645,420
	<b>26 Weeks to 03.07.10 Pence</b>	26 Weeks to 26.06.09 Pence	53 Weeks to 02.01.10 Pence
Earnings per share			
Underlying earnings per share	<b>2.22</b>	3.15	5.53
Non-recurring items and IAS 21/39 adjustments	<b>1.76</b>	(13.72)	(19.19)
Earnings per share – basic	<b>3.98</b>	(10.57)	(13.66)
Earnings per share – diluted	<b>3.92</b>	(10.57)	(13.66)

Underlying figures are presented to show the effect of excluding non-recurring items and IAS 21/39 adjustments 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. Exercising out of the money options would have the effect of reducing the loss per share; as a result no adjustment has been made in either of the comparative periods to the diluted loss per share.

In the comparative periods, the basic earnings per share has been adversely affected by the non-recurring charges for the impairment of intangible assets. This has no impact on the underlying earnings per share calculation.

**Notes to the Interim Financial Information (unaudited)**  
continued

**8. Investment Income**

	<b>26 Weeks to 03.07.10 £'000</b>	26 Weeks to 26.06.09 £'000	53 Weeks to 02.01.10 £'000
Interest on bank deposits	18	54	69
Income from available-for-sale investments	3	3	3
	<b>21</b>	57	72

**9. Finance Costs**

**a) Net finance income on pension assets/liabilities**

	<b>26 Weeks to 03.07.10 £'000</b>	26 Weeks to 26.06.09 £'000	53 Weeks to 02.01.10 £'000
Interest on pension liabilities	12,829	10,586	20,941
Expected return on pension assets	(13,032)	(10,681)	(21,209)
Net finance income on pension assets/liabilities	<b>(203)</b>	(95)	(268)

**b) Finance costs**

Interest on bank overdrafts and loans	15,805	10,493	24,346
Payment-in-kind interest accrual	2,925	—	2,193
Interest on obligations under finance leases	—	1	—
Amortisation of term debt issue costs	2,643	439	2,266
Non-recurring cost of issuing share warrants	—	—	9,390
Total finance costs	<b>21,373</b>	10,933	38,195

## Notes to the Interim Financial Information (unaudited) continued

### 10. Derivative Financial Instruments

The fair value of the Group's cross-currency and other interest rate swaps is as follows:

	<b>£'000</b> <b>Assets</b>	<b>£'000</b> <b>Liabilities</b>
Closing balance at 2 January 2010	15,794	(6,851)
Movement in fair value during the period	5,821	375
<b>Closing balance at 3 July 2010</b>	<b>21,615</b>	<b>(6,476)</b>
<b>Current</b>	<b>—</b>	<b>(2,144)</b>
<b>Non-current</b>	<b>21,615</b>	<b>(4,332)</b>

### 11. Notes to the Cash Flow Statement

	<b>26 Weeks to</b> <b>03.07.10</b> <b>£'000</b>	26 Weeks to 26.06.09 £'000	53 Weeks to 02.01.10 £'000
Operating profit/(loss)	<b>43,958</b>	(93,627)	(90,614)
Adjustment for:			
Impairment of intangibles - non-recurring	—	126,000	126,000
Other non-cash non-recurring items	<b>(6,300)</b>	—	2,344
Depreciation of property, plant and equipment (including write downs)	<b>9,952</b>	12,030	41,982
Credit for share-based payments	<b>(724)</b>	(849)	(108)
Profit on disposal of property, plant and equipment*	<b>(952)</b>	(253)	(259)
Currency differences	<b>(7)</b>	(2,182)	12
Movement on pension provision	<b>(803)</b>	(1,946)	(3,449)
Operating cash flows before movements in working capital	<b>45,124</b>	39,173	75,908
(Increase)/decrease in inventories	<b>(241)</b>	2,727	3,167
(Increase)/decrease in receivables	<b>(5,574)</b>	5,903	15,703
Increase/(decrease) in payables	<b>1,909</b>	168	(897)
Cash generated by operations	<b>41,218</b>	47,971	93,881

\* The profit on disposal of property, plant and equipment shown above comprises the non-recurring gain of £859,000 and an additional net gain of £93,000 on disposal of small assets which is included in recurring costs.

## Notes to the Interim Financial Information (unaudited) continued

### 12. Borrowings

	<b>03.01.10</b>	26.06.09	02.01.10
	<b>£'000</b>	£'000	£'000
Bank overdrafts	<b>566</b>	4,812	1,022
Bank loans - sterling denominated	<b>245,066</b>	248,278	233,746
Bank loans - euro denominated	<b>18,918</b>	41,241	43,193
2003 Private placement loan notes	<b>94,119</b>	94,444	96,238
2006 Private placement loan notes	<b>67,784</b>	65,013	67,428
Term debt issue costs	<b>(11,916)</b>	(65)	(14,265)
Finance leases	—	8	—
Payment-in-kind interest accrual	<b>5,118</b>	—	2,193
<b>Total borrowings</b>	<b>419,655</b>	453,731	429,555

The borrowings are disclosed in the financial statements as:

Current borrowings	<b>10,592</b>	4,755	31,465
Non-current borrowings	<b>409,063</b>	448,976	398,090
	<b>419,655</b>	453,731	429,555

The Group's net debt is:

Gross borrowings as above	<b>419,655</b>	453,731	429,555
Finance leases	—	8	—
Cash and cash equivalents	<b>(14,768)</b>	(24,438)	(12,279)
Impact of currency hedge contracted rates	<b>(15,665)</b>	(5,273)	(9,483)
<b>Net debt at currency hedge contracted rates</b>	<b>389,222</b>	424,028	407,793
Term debt issue costs	<b>11,916</b>	65	14,265
<b>Net debt excluding term debt issue costs</b>	<b>401,138</b>	424,093	422,058

### 13. Share-Based Payments

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

	<b>03.07.10</b>	26.06.09	02.01.10
	<b>£'000</b>	£'000	£'000
Included in operating expenses	<b>(724)</b>	(849)	(108)

The credit balances in all periods is due to costs charged in prior periods in respect of certain of the Group's schemes being reversed in accordance with the 'true-up' principles of IFRS2, Share Based Payment.

The cumulative provision for share-based payments of £18,622,000 (26 June 2009: £9,215,000) is shown as a reserve in the Group Statement of Financial Position.

## Notes to the Interim Financial Information (unaudited) continued

### 14. Intangible Assets

	Goodwill £'000	Publishing Titles £'000
<b>Cost</b>		
At 3 January 2010	145,254	1,312,979
Exchange movements	—	(4,147)
<b>At 3 July 2010</b>	<b>145,254</b>	<b>1,308,832</b>
<b>Accumulated impairment losses</b>		
At 3 January 2010	(144,390)	(390,466)
Net losses for the period	—	—
<b>At 3 July 2010</b>	<b>(144,390)</b>	<b>(390,466)</b>
<b>Carrying amount</b>		
<b>At 3 July 2010</b>	<b>864</b>	<b>918,366</b>
At 2 January 2010	864	922,513

The Group tests goodwill and publishing titles every 6 months for impairment, 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 current period in light of the continued recession in the UK and Republic of Ireland. 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. The discount rate applied to future cash flows in the current period is 9.09%. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group has prepared discounted cash flow forecasts in the current period derived from the most recent financial forecasts approved by management for the next year and extrapolated cash flows for 20 years from the date of testing. The long term growth rate used is 1% pa. A discounted residual value of 5 times the final year's cashflow is included in the forecast. The present value of the cash flows is then compared to the carrying value of the asset.

During the period, a net impairment of publishing titles of £nil was charged, this being an element of further impairment in the Republic of Ireland, offset by recovery in certain regions of the UK.

### 15. Retirement Benefit Obligation

The valuation of the Group's pension scheme is updated at the end of each accounting year and at the half year. Full details of the valuation at 2 January 2010 are outlined in the financial statements to that date. The major assumptions and disclosures for the 26 weeks to 3 July 2010, the 26 weeks to 26 June 2009 and the 53 weeks to 2 January 2010 are as follows.

## Notes to the Interim Financial Information (unaudited) continued

### 15. Retirement Benefit Obligation (continued)

#### Major assumptions:

	Valuation at 03.07.10	Valuation at 26.06.09	Valuation at 02.01.10
Discount rate	5.4%	6.3%	5.7%
Expected return on scheme assets	7.1%	6.7%	7.1%
Expected rate of salary increases	n/a	4.0%	4.0%
Future pension increases	3.1%	3.5%	3.5%
Life expectancy			
Male	19.8 years	19.5 years	19.8 years
Female	22.9 years	22.4 years	22.9 years

The defined benefit section of the Johnston Press Pension Plan (JPPP) was closed to future accrual from 1 July 2010. A curtailment credit of £6.3 million has been recognised in the Group Income Statement in the current period. In addition, the expected rate of salary increases is no longer relevant to the calculation of Plan liabilities and so is noted as 'not applicable' in the above table.

	26 Weeks to 03.07.10 £'000	26 Weeks to 26.06.09 £'000	53 Weeks to 02.01.10 £'000
<b>Amounts recognised in the Group Income Statement in respect of defined benefit schemes:</b>			
Current service cost	1,174	447	1,070
Interest cost	12,829	10,586	20,941
Expected return on scheme assets	(13,032)	(10,681)	(21,209)
Gain on curtailment	(6,300)	—	—
	(5,329)	352	802

	03.07.10 £'000	26.06.09 £'000	02.01.10 £'000
<b>Amounts included in the Group Statement of Financial Position:</b>			
Present value of defined benefit obligations	443,301	381,292	446,114
Fair value of scheme assets	(350,643)	(307,841)	(362,006)
Total liability recognised	92,658	73,451	84,108
Amount included in current liabilities	(2,200)	(5,980)	(5,111)
Amount included in non-current liabilities	90,458	67,471	78,997

### 16. Tax Assessment

As reported in March 2010, UBM announced resolution of their dispute with HMRC and we agreed that UBM and HMRC would settle the matter directly with no flow of funds through the Group. The provision, and corresponding debtor balance, of £36.4 million that was included in the Group Statement of Financial Position at 2 January 2010 (26 June 2009: £80.0 million) has been reversed in the current period.