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JOHNSTON PRESS PLC Annual Report & Accounts 1999

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11.2000:// Payment of Interim Dividend

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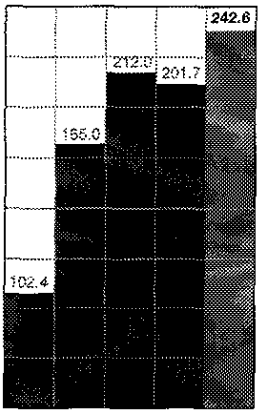
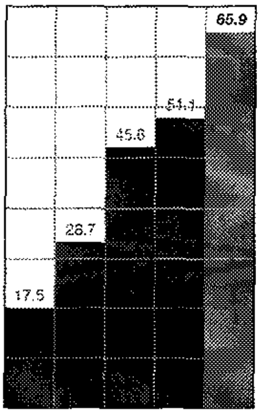
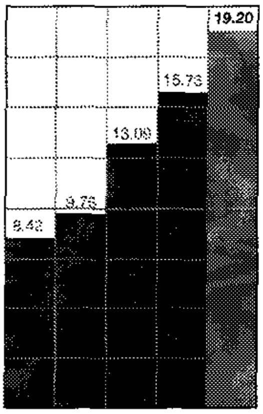
FINANCIAL HIGHLIGHTS



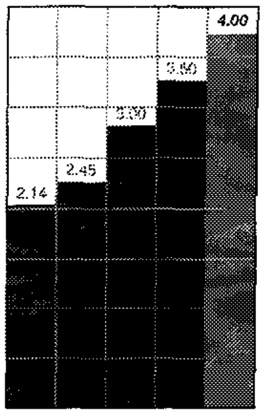
95 96 97 98 **99**
Turnover://£m



95 96 97 98 **99**
Operating Profit://£m



95 96 97 98 **99**
Headline earnings per share://p



95 96 97 98 **99**
Dividend://p

KEY INFORMATION

Like-for-like operating profit increased by **11%**

Like-for-like advertising revenues increased by **5%**

Headline earnings per share increased by **22%**

Dividend per share increased by **14%**

Interest cover **5.5x**

CHAIRMAN'S STATEMENT
FRED JOHNSTON

"OPERATING PROFIT ROSE TO £65.9 MILLION FOR THE YEAR, AN INCREASE OF 29%"

Despite fears in the latter part of 1998 that the economy might slow during the following year, favourable trading conditions continued unabated and I am pleased to report that Johnston Press recorded another encouraging performance. Perhaps the most satisfactory feature of the year was the very successful integration of Portsmouth & Sunderland Newspapers plc (P & S), where progress has exceeded our expectations since the acquisition at the end of June.

During the year, the Group devoted much attention to developing our new media activities which have become an increasingly important part of our business. We expect that they will complement and substantially enhance our existing local publishing operations.

Financial Results

Operating profit rose to £65.9 million for the year compared to £51.1 million in 1998, an increase of 29%. Acquisitions during the year contributed £9.2 million. The profit on ordinary activities before exceptionals and taxation came to £55 million, compared to £45 million in the previous year. The exceptional charges mainly relate to the post-acquisition reorganisation costs of P & S. Headline earnings per share pre exceptionals rose from 15.73p to 19.20p per ordinary share, an increase of 22%.

In view of the Group's improved earnings, the Directors will recommend a final dividend of 2.75p per ordinary share to the Annual General Meeting. This will make a total ordinary dividend of 4.0p for the year, compared to 3.5p in 1998, an increase of 14%.

Trading Activities

Following the disposal of S & E Distributors Ltd in the first half of the year, the Group's activities are now all in the media sector. The publication of local and regional newspapers remains by far our most important source of earnings, though the related Printing Division has grown significantly with the acquisition of modern press rooms in Portsmouth, Sunderland and West Hartlepool. Our new media revenues are rising rapidly. The Chief Executive's report deals in some detail with the performance of the Group, but it is particularly pleasing that every division improved its operating margin and profit on the previous year.

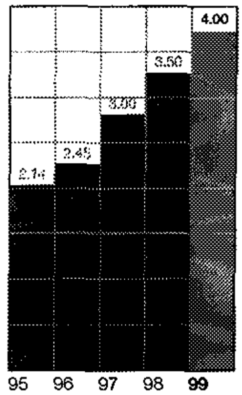
A very important feature of the year was the improvement in newspaper sales by the great majority of our weekly newspaper titles. Our evening titles too held their circulations well.

CHAIRMAN'S STATEMENT

CONTINUED

Acquisitions

In addition to the major acquisition of P & S at the half year, the Group also made a smaller but strategically important purchase of The Tweeddale Press Group, which publishes three long established paid-for titles in Northumberland and the Scottish Borders. Both Tweeddale and the Arbroath Herald, acquired at the end of 1998, have been incorporated into our Scottish newspaper publishing division and have enabled us to give improved coverage in areas which were adjacent to some of our existing publications.



Dividend://p

We have also applied to the Competition Commission, under the Fair Trading Act 1973, for clearance to acquire News Communications & Media plc (Newscom), a major Southampton-based newspaper publisher in which two other newspaper companies have also shown interest. The 1973 Act is increasingly anachronistic in a world of e-commerce and digital communication, particularly as its strict conditions apply only to newspaper publishers. I would express a strong personal hope that the Government can be persuaded to amend the legislation in the near future.

The Board

Mr Ian Dickson retires from the Board at the Annual General Meeting after 15 years as a director. He is also one of the Group's principal legal advisors and his shrewd judgement has been an important factor in the expansion of Johnston Press from the small private company of which he became a director in 1985 to Britain's fourth largest local and regional newspaper publisher today.

I myself will be 65 in the Autumn of this year and it has always been my intention to retire from the Chairmanship at the AGM in 2001. The Board has carefully considered the recommendation of the Nomination Committee and I am delighted to report that Mr Roger Parry, who has been a non-executive director of the Company since 1997, has agreed to become Non-Executive Chairman in April next year. I myself have been invited to remain as a non-executive director, which I shall be happy to do.

Mr Parry is 46 and is currently Chief Executive of Clear Channel International. He has extensive experience in advertising, marketing and the media. He also worked for seven years as a radio and television reporter, presenter and producer and spent three years as a consultant with McKinsey & Co.

Prospects

The year 2000 has begun very encouragingly with most of the Group's operations outperforming our expectations. Though interest rates have risen, there is little sign that the recent increases have yet had any significant adverse impact on the economy and the trading climate remains favourable.

We are concentrating a considerable amount of effort on our new media developments and, though these will take time to become major profit contributors, I believe that the Internet and our existing newspaper franchises will afford significant opportunities for beneficial growth in the future. It is those companies which have strong traditional media businesses which are likely to be the greatest long term beneficiaries of the Internet. Our newspaper bases and the content which is contained within them give us a very strong platform from which we can advance the scope of our publishing activities.

As far as expansion in our traditional areas is concerned, we continue to believe that the process of consolidation in the newspaper industry is not yet over. Many parts of it still remain independently owned and additionally we have seen a number of titles change hands several times in relatively short periods, which was not a feature of press ownership in the past. The opportunities for acquisitive expansion therefore remain. The economy is still a benevolent factor at a time when the pace of change in the media has rarely been greater and this must surely open further exciting prospects for the future.

Fred Johnston
Chairman
20 March 2000

CHIEF EXECUTIVE'S REVIEW
TIM BOWDLER

1999 turned out to be another excellent year for Johnston Press. Advertising revenues remained strong, indeed improving over the course of the year and we benefited from a further modest reduction in the price of newsprint. The satisfactory outcome also reflected further operational progress throughout the Group's publishing and related printing activities. The major corporate development of 1999 was our mid-year acquisition of Portsmouth & Sunderland Newspapers plc (P & S) which resulted in the Group becoming the fourth largest regional newspaper publisher in the UK. During the year, particular emphasis has been given to the continuing development and implementation of the Group's new media strategy, a process which is central to the future of our business.

In May 1999, we disposed of the Group's only remaining non-core activity. S & E Distributors, a wholesaler of stationery and toys, was sold to a trade buyer. The business made a valuable contribution to the Group over a number of years but its long-term future will be better served in the hands of owners dedicated to its ongoing development.

As a result, Johnston Press is now wholly focused on local publishing through newspapers and related web sites, coupled with associated printing operations. We are totally committed to the achievement of continued organic growth of our core business and especially of our new media activities. Our declared interest in News Communications & Media plc (Newscom) also demonstrates our determination to pursue sensible acquisitive growth and to play an active role in the continuing process of industry consolidation. We believe that this process still has some way to run, particularly as the regional press remains highly fragmented in comparison with other sections of the media.

Our interest in the possibility of making a bid for Newscom is subject to a Competition Commission inquiry and we expect the Secretary of State for Trade and Industry to announce his decision sometime during the first half of April. We believe that the possible transfer of Newscom's titles to Johnston Press should be expected not to operate against the public interest. Nonetheless, we await the decision and the publication of the Competition Commission's report with considerable interest, not least because it will provide an indication of the prevailing attitude to further consolidation of the regional press. Whilst the current ownership controls are not expected to prevent this, they are outdated and unnecessarily restrictive especially in view of the considerable recent proliferation of media choice available to readers and advertisers alike. As a result, we continue to play an active part in industry initiatives to seek changes to the current regulatory framework.

New Media

The first Johnston Press web site was launched in May 1997 and since then we have expanded our on-line presence to the point where we now have more than 50 local web sites covering all of our major markets. The pace of investment increased substantially in 1999 with the launch of new sites at a rate of over one every two weeks.

Our new media strategy builds on the power of our newspaper brands, our unrivalled access to local news and information and the great strength of our extensive local relationships in the numerous communities we serve. It also recognises that for the great majority of people, life is local with their day-to-day activities and interests being largely focused on their local areas. Meeting the needs of advertisers and readers in focused local markets is our core competence; nobody does it better. Now the Internet is enabling us to do it better still. Local newspapers, the print medium, will continue to be the key information source of choice for many. However, advertisers and individuals alike, will increasingly require a

CHIEF EXECUTIVE'S REVIEW

CONTINUED

locally-focused on-line platform, the electronic interactive medium, in addition to the more traditional channels. Our new media strategy recognises that need and addresses the exciting opportunities which it presents.

In 2000, we will again substantially increase investment in our new media activities, at least quadrupling our 1999 spend. With around 50 dedicated staff working on the development of our various sites, this will enable us to build rapidly on our existing strengths of local brands, extensive local content and strong ties with local communities. Plans this year will see greatly improved functionality including the imminent launch of an enhanced Johnston Press classified advertising search capability, the full introduction of e-commerce enabling our customers to transact on-line and continued steps to encourage our communities onto the web, in part through our locally-branded free telephony ISP. To add value and stickiness to our content, we expect to enter into a number of partnerships during the year, some of which could involve equity stakes.

We have well advanced plans to create a number of vertical portals bringing together communities of special interest, spanning all of our geographically-based local areas. We are also working on new opportunities to build business-to-business platforms across all of our local markets. In order to meet the anticipated needs of our customers for the delivery of information through on-line channels other than the PC, we have initiated discussions with potential technology partners to explore ways of achieving this.

The new media represents an exciting and rapidly growing opportunity for Johnston Press. We believe that we are strongly placed to resist any threat which these new developments may pose to our traditional publishing activities and remain confident that we are well placed to maximise the opportunities which they present.

Portsmouth & Sunderland Newspapers
The first half of 1999 was taken up with the extended process of acquiring P & S. This was achieved when we took control of the company on 29 June. That we were successful in the face of several competing bidders was to a significant extent due to the 17.35% stake we built up in the company during the initial stages.

The second half of the year was a period of integration for the acquired businesses. We moved rapidly to close the P & S head office and quickly benefited from our increased purchasing power, especially for newsprint. We made several key senior management changes including the appointment of new managing directors for both the Portsmouth and Sunderland publishing centres. The three excellently equipped press rooms in Portsmouth, Sunderland and Hartlepool were transferred to the control of our Printing Division management. Press utilisation has been significantly increased with the transfer of some Johnston Press titles and as a result of winning several new external contract printing jobs.

At both Portsmouth and Sunderland, we have conducted a thorough review of the business operations. This has resulted in the rationalisation of some activities, such as the transfer of certain accounting functions to the two existing Johnston Press accounting centres; and some non-essential activities have been curtailed or scaled back, for example the provision of non-newspaper sales and services in the newspaper front offices. Efficiency improvements have also been achieved in the core publishing activities although compulsory job losses have been limited, being partially offset by redeployment and voluntary means.

Tim Bowdler

In overall terms, the level of savings achieved since acquisition has exceeded our expectations. Both centres have performed well with Portsmouth achieving particularly strong results. The integration process is substantially complete and in 2000 we expect both centres to perform ahead of the expectations we had at the time of acquisition.

Newspaper Publishing

In overall terms, like-for-like advertising revenues in 1999 were almost 5% ahead of the previous year. This reflected the strong market conditions enjoyed by most of our publishing centres. The improvement was driven entirely by increased volumes with yields remaining virtually unchanged from the previous year. Advertising growth accelerated to 6% in the second half after achieving 4% growth in the first six months.

The fastest growing category for the year as a whole was property advertising which showed a 12% improvement, though as expected the rate of growth fell back in the second half after a 16% increase in the first six months. Motors advertising was 6% ahead with a similar performance in both halves. After a static first half, recruitment was well up in the second period to achieve an annual increase of 6%. Display advertising finished 2% ahead, with the local element performing similarly in each half but national showing a substantial improvement to finish 2% up after a 4% shortfall in the first six months.

Operating margins for the Group as a whole were again ahead of the previous year, showing a two point increase to 29%. Every one of our six existing publishing divisions produced an increase, reflecting the strong market conditions but also a continued determination to seek further business efficiencies.

In Scotland, we benefited from the inclusion of the Arbroath Herald which was acquired at the very end of last year. Completion of the press extension at Falkirk enabled the company to increase colour advertising revenues, a benefit which is now also being enjoyed by the Fife-based titles following the closure of the obsolete Kirkcaldy press during the second half. The Tweeddale Press titles acquired at the end of the year have also been incorporated into the Scottish division together with the Borders titles which came with the P & S acquisition. The process of integration is well under way and has resulted in the closure of three small and heavily loss-making free newspapers which were launched by P & S just over a year ago. The Borders activities will make a positive contribution to our Scottish operations in 2000. Isle of Man Newspapers also had another excellent year, enjoying buoyant market conditions and benefiting from enhanced colour from their press. A second phase of the press development programme will provide a further increase in colour during 2000.

All companies in the North of England performed well, also benefiting from increased colour availability following completion of recent press extensions at Halifax, Scarborough and Wakefield. Second phase extensions are scheduled in 2000 at both Halifax and Scarborough. The Wakefield centre in particular had an excellent year which included the successful re-launch of the Pontefract and Castleford Express in tabloid format. Market conditions were more difficult in the North Midlands with only marginal advertising revenue growth, a continuing reflection of the decline of the coal industry which affects much of the area. Despite this, continued rationalisation of administrative and production functions enabled both companies to improve operating margins, particularly at North Notts Newspapers which moved ahead strongly.

CHIEF EXECUTIVE'S REVIEW

CONTINUED

"THE INTERNET IS CURRENTLY THE FASTEST GROWING BUSINESS SECTOR IN THE UK"

Above:// Johnston Press
From top, left to right:// Scarborough Evening News, Derbyshire Times, Doncaster Free Press, The Falkirk Herald, Halifax Courier, Bexhill Observer

Tim Bowdler

Top Row (from left):// Peterborough Evening Telegraph, Grantham Journal, Luton Herald & Post, Lynn News
Second Row (from left):// Mansfield Chad, Mid Sussex Times, Milton Keynes Citizen, Northampton Chronicle & Echo
Third Row (from left):// Portsmouth News, Sunderland Echo, Wakefield Express, West Sussex County Times
Bottom Row (from left):// Bucks Herald, Buckingham Advertiser

CHIEF EXECUTIVE'S REVIEW

CONTINUED

The market situation was mixed for the East Midlands Division with the Peterborough-based business seeing less buoyant conditions than the strong growth experienced by the two weekly newspaper centres. Anglia Newspapers in particular had a remarkable year though Stamford-based Welland Valley Newspapers also performed extremely well. Buoyed by continued strong market conditions, the South Midlands Division again produced an excellent result with the four principal companies all making good advances. 1999 was the first year to benefit fully from the late 1998 acquisition of eight titles in Bedfordshire and Buckinghamshire which previously formed part of Home Counties Newspapers Holdings plc. The acquired business was significantly loss-making and required considerable rationalisation including several title closures. The resultant performance of Bedfordshire Newspapers showed a most encouraging improvement as a result of the very successful integration of the newly acquired titles. Good progress was again made by the two Sussex-based companies, each producing increased operating margins.

Preparations for the millennium changeover were successfully completed throughout the Group. By the year-end, all systems had been tested and cleared for year 2000 compliance and no problems of significance were encountered. At the start of the year, a Technical Committee was established to co-ordinate better the Group's approach to systems development. It has already delivered a Group wide area network which will enable the electronic transfer of pages throughout Johnston Press.

Yet again we are able to report circulation growth of our weekly titles. Over two-thirds of our paid-for weeklies achieved circulation increases in the six months to the end of 1999 with the overall average increase exceeding 1%. This is the sixth consecutive six-monthly ABC period to show an increase. The fact that continued circulation growth has been achieved against the background of cover price increases for approximately half of our titles in late 1998 is particularly encouraging. The recent improved performance of our evening circulations was sustained with the overall sale holding up during the second half. Amongst several good performances, the Peterborough Evening Telegraph is worthy of special mention for the continued success of its direct household deliveries which now account for almost 20% of the total sale.

Throughout the Group, considerable attention continues to be paid to the achievement of organic growth. The year was particularly successful in that respect with leaflet revenues up 15% and sundry sales 16% ahead, buoyed by further strong growth in internet revenues and premium line services to enable readers to interact and respond by telephone to editorial issues and a variety of advertising services published in-paper.

Printing

The overall performance of the Printing Division with its three existing press rooms based in Burgess Hill, Northampton and Peterborough was satisfactory, being in line with budget. This was particularly encouraging in view of the alterations to business mix as a result of changes to contract work and an increase in the printing of Group titles. At the start of the year we introduced a simplified transfer pricing system for Group titles which in turn enabled a significant reduction in administration costs. 1999 also saw a substantial increase in the electronic transmission of titles from both Group and external customers, with further plans now in place to receive more titles electronically in 2000.

Tim Bowdler

Following a thorough review of our printing strategy, orders have been placed for a substantial upgrading of our double-width presses in Peterborough and Northampton. At a total cost of approximately £15 million, the projects will provide greatly enhanced colour capability on both presses with completion expected in late 2000 and mid-2001 respectively.

The acquisition of P & S has enabled a further review of our printing operations. As a result, the outdated Chesterfield press room has been closed with the titles being transferred to Hartlepool and Sunderland. We are also in the process of closing the ageing Eastbourne press with our South Coast printing to be concentrated at Burgess Hill and Portsmouth. In addition to the financial benefits, these changes will provide the publishers with enhanced colour capability to meet growing market needs.

People

Not only has the successful integration of P & S demonstrated the capability of our existing management team but it has also brought new talent to the Group. Despite the fact that P & S was acquired only in mid-1999, we are confident that we have the managerial capacity to take on further challenges.

We continue to increase investment in staff training. During the year, we opened a second Group training centre based in Chesterfield and this enabled us to expand greatly the amount of sales training carried out. Editorial training also increased and we introduced a Group-sponsored training course at Darlington College for trainee journalists. A significant number of middle-ranking and senior management attended the Group management development programme at Roffey Park and several of the participants have been promoted to senior management positions during the year.

The continued success of the Group depends absolutely on the calibre, quality and motivation of our staff. That we achieved so much during the year is a credit to their efforts.

Outlook

The current year has started strongly with continued growth of advertising revenues in almost every centre. Furthermore, with the benefits of increased tonnages, the average price of newsprint will show a further marginal decline. 1999 was an exceptional year for Johnston Press with particularly strong growth in the second half. Despite these challenging comparables we nevertheless anticipate a satisfactory outcome to 2000 with the additional impetus of a first full year's contribution from P & S.

We will make further substantial progress in the development of our new media activities during the year. Whilst we remain totally convinced that local newspapers have a bright future, we also expect new media to become an essential and significant contributor to our overall publishing business. These developments represent an exciting opportunity for the Group.

Tim Bowdler
Chief Executive
20 March 2000

The Peterborough Evening Telegraph awarded, ***1999 Best Overall Evening Newspaper for circulation growth,*** at the recent Newspaper Society's Newspaper Sales Conference.

FINANCIAL REVIEW
MARCO CHIAPPELLI

1999 was an extremely satisfactory year with operating profit (after income from associated undertakings) increasing like-for-like over 1998 by 11%. The like-for-like figures are arrived at as follows:

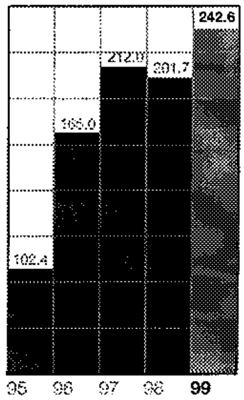
	1999 £'000	1998 £'000
Operating Profit per Accounts	66,224	51,357
Deduct:		
Wholesale - sold	(107)	(937)
Acquisition during year	(9,193)	—
Effect of 53rd week	(1,037)	—
	55,887	50,420

All divisions within the Group showed an increase in both operating profit and in their operating margins. The operating margin for the Group was 27.2% (1998 - 25.3%).

Like-for-like advertising turnover is analysed as follows:

	1999 £'000	1998 £'000	Increase %
Advertising revenue			
Employment	**36,191**	34,240	5.7
Property	**23,473**	20,926	12.2
Motors	**25,316**	23,823	6.3
Other classified	**24,863**	24,423	1.8
Total classified	**109,843**	103,412	6.2
Display	**50,169**	49,098	2.2
Total advertising revenue	**160,012**	152,510	4.9

The like-for-like advertising figures are after eliminating the effect of the 53rd week, which totalled £1,225,000, and those titles acquired in 1999.



Turnover //£m

FINANCIAL REVIEW

CONTINUED

The following table splits the above like-for-like advertising revenues into the two half years:

	Half year to 31 December			Half year to 30 June		
	1999	1998	%	**1999**	1998	%
	£'000	£'000	Increase	**£'000**	£'000	Increase
Employment	18,426	16,522	11.5	17,765	17,718	0.3
Property	11,002	10,173	8.1	12,471	10,753	16.0
Motors	12,410	11,665	6.4	12,906	12,158	6.2
Other classified	12,464	12,235	1.9	12,399	12,188	1.7
Total classified	54,302	50,595	7.3	55,541	52,817	5.2
Display	25,633	24,912	2.9	24,536	24,186	1.4
Total advertising revenue	79,935	75,507	5.9	80,077	77,003	4.0

As the table clearly illustrates, the rate of growth in the second half of the year increased in most categories. On a quarterly basis advertising revenue grew in the first quarter by 4%, the second by 4%, the third by 5% and the fourth quarter by 7%.

Portsmouth & Sunderland Newspapers plc (P & S)

One of the most important developments in 1999 was the acquisition of P & S. Although the Group acquired 100% ownership on 10 September 1999, it owned more than 50% from 29 June 1999 and the profit and loss account represents the results of P & S from that date. Following its acquisition, I am pleased to report that the synergies estimated prior to acquisition have been exceeded. In addition, we have restructured the management, implemented the Group's accounting policies and prepared new budgets from 1 July 1999. For the period 1 July to 31 December 1999, P & S achieved an operating profit of £9.2 million on a turnover of £37.6 million resulting in an operating margin of 24.5%. This margin compares to the last reported margin from their publishing activities of 18.6% based on their consolidated accounts to 31 March 1999.

New Media Activities

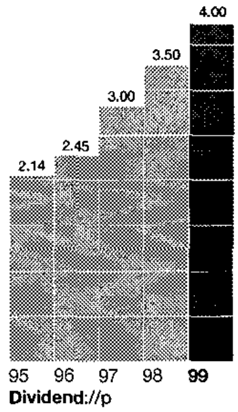
In addition to the acquisition of P & S, the other most significant feature of 1999 was the amount of time and resource given in developing our new media activities. Costs associated with new media have increased to £2.3 million in 1999 and will rise to approximately £10 million in 2000. We firmly believe that the development of our local brands in association with the Internet will derive significant benefits for the Group in years to come.

Exceptional Items

The exceptional items are detailed fully in note 5 on page 42 of these accounts. The principal items were the re-organisation costs on the takeover of P & S (£3.1 million) and the costs associated with the closure of two obsolete printing presses at Chesterfield and Kirkcaldy (£1 million).

Financial Instruments/Treasury Management

The main financial risk faced by the Group from its treasury activity is the interest rate risk. The Board has reviewed and agreed a policy for managing this risk and undertook a review of this policy on the acquisition of P & S. The Group's corporate treasury department reports half-yearly to the Board.



The Group derives its finances from share capital, retained profit, bank borrowings, long-term loans and the issue of loan stock. The loan stock facility is only used to finance acquisitions.

The Group's treasury objective is to obtain its borrowings at the lowest possible cost and within covenants that are not over-stretching. The Group has no pre-determined policy on what percentage of its debt should be hedged. The decision on hedging is considered throughout the year and is based on an estimation of how interest rates will move. £100 million of the debt was hedged in 1999, at an effective rate of 5.68% for an average period of four years.

As the Group activities are entirely focused in the UK, there are no foreign currency exposures. The Group purchases all its materials and capital items in sterling although newsprint prices can be affected by foreign exchange movements.

Net Debt/Gearing
The Group's borrowings increased substantially during the year as a result of the acquisition of P & S. Net debt increased by £194 million which resulted in a gearing ratio of 124% on 31 December 1999 as against 37% in the previous year. However, interest cover which is by far a more meaningful measure was 5.5 times for 1999 as against 8.5 times for 1998. Because of the impact of the additional borrowings related to P & S being in existence for a full year, interest cover is likely to fall further in 2000.

Within total capital expenditure for the year of £9 million, £3,230,000 was spent on Group's presses. This will continue into the year 2000 with the Group already committed to a press investment of £11 million which will enable it to increase capacity and, at the same time, offer more colour facilities to its customers. The principal areas where this investment is taking place are at Northampton and Peterborough, with smaller developments at Halifax, Scarborough, Sunderland, Falkirk and in the Isle of Man. It also follows the decision to close the obsolete press at Chesterfield in February 2000 and the press at Eastbourne is planned to close in May 2000.

Earnings and Dividend
Headline earnings per share grew by 22% and the ordinary dividend will increase over 1998 by 14% to 4p per share for the year.

Year 2000
I am pleased to report that the Group did not experience any year 2000 failures, malfunctions or delays in its computer and data sensitive systems. As intimated in last year's report, the cost of the year 2000 compliance was less than £200,000.

Marco Chiappelli
Financial Director
20 March 2000

CORPORATE GOVERNANCE

In June 1998 the Hampel Committee and the London Stock Exchange published The Combined Code on Corporate Governance. This combines the Cadbury Code on Corporate Governance, the Greenbury Code on Directors' Remuneration and new requirements arising from the Hampel Committee's findings.

Statement of compliance with The Code of Best Practice

The Company has complied throughout the year with the Provisions of the Code of Best Practice except for non compliance with Code Provision B.1.7 which states that service contracts for executive directors should be reduced to one year or less. It is the Board's view that the two-year service contracts of the executive directors are appropriate and fully justified.

Statement on application of The Principles of Good Governance

The Company has applied the Principles of Good Governance set out in section 1 of the Combined Code by complying with the Code of Best Practice as reported above. Further explanation of how the Principles have been applied are set out below and, in connection with directors' remuneration, in the Remuneration Report.

Board Effectiveness

The Board considers that it has shown its commitment to leading and controlling the Company by meeting nine times a year but can meet when necessary for any matters which may arise between meetings. It also arranges for its non-executive directors to visit the Group's principal locations at certain intervals to discuss the operations with local management.

Division of responsibilities between Chairman and Chief Executive

The Board acknowledges the division of responsibilities for running the Board and managing the Company's business with the appointment of Mr F P M Johnston as Non-Executive Chairman, Sir Harry Roche as senior independent director and Mr T J Bowdler as the Company's Chief Executive.

Board Balance

Code Provision A.3.2 requires that the majority of non-executive directors should be independent. Of the Company's current nine directors, two are executive and the remainder non-executive of whom four are regarded as independent. Those who are regarded as non-independent are Mr I Dickson a partner in MacRoberts, the Company's solicitors, and Mr F P M Johnston and Mr H C M Johnston who have significant shareholdings in the Company. Mr I Dickson retires from the board on 28 April 2000.

However, it is the view of the Board that such circumstances do not lessen the value of the contributions made by these three non-executive directors.

The Company over the past few years has increased the number of independent non-executive directors from one to four while the number of executives and other non-executives has reduced to two and three respectively. The Company has a Nomination Committee to make recommendations on the appointment of further independent non-executive directors.

The proposed appointment of Mr R G Parry as non-executive Chairman shows that the Board follows formal procedures when appointing directors. The Nomination Committee identified a short list of suitable candidates and following interviews, an evaluation of the candidate was circulated to all members of the Board. The Nomination Committee and the Board were unanimous in approving the appointment.

Supply of Information

The Board receives a formal schedule of matters specifically reserved to it for decision, such as future strategy, acquisitions and disposals, capital expenditure, trading and capital budgets and Group borrowing facilities. The Board considers a monthly report from the Chief Executive and Finance Director and Minutes of the Board are circulated to all Board members. It has also made the Company Secretary responsible to the board for the timeliness and quality of information.

CORPORATE GOVERNANCE

CONTINUED

Re-election

Non-executive directors do not have service contracts but are appointed for an initial term of three years. At the end of that period, their re-appointment is formally considered by the Board.

Dialogue with institutional shareholders

The directors encourage and seek to build up a mutual understanding of objectives between the Company and its institutional shareholders. As part of this process, the Chief Executive and Finance Director make bi-annual presentations to institutional investors and meet with shareholders to discuss any issues of concern and to obtain feedback. In addition, they communicate regularly throughout the year with those shareholders who request a meeting.

Annual General Meetings

The Board seeks to encourage shareholders to attend its Annual General Meeting. It uses the Annual General Meeting to communicate with private investors and encourages their participation.

Financial Reporting

The Board has shown its commitment to presenting the Company's financial position by complying with non-mandatory statements issued by the Accounting Standards Board relating to the operating and financial review which is included in this Annual Report.

Internal Control

The Company has established the procedures necessary to implement fully the guidance on internal control as issued by the Turnbull Committee. To achieve this it has, with the assistance of its auditors, prepared a document on risk assessment which will be regularly considered by each subsidiary company's management committee. A new six-member committee consisting of company executives and chaired by the Group Finance Director will consider the results of the risk assessment findings and the controls over significant risks. The external auditors will also be party to these discussions. The Company's Audit Committee will receive reports on the ongoing monitoring of the relevant controls.

In the meantime, the Company has adopted the transitional approach permitted by the London Stock Exchange and reviewed the effectiveness of the system of internal control in accordance with previous guidance. Accordingly, the disclosures below are restricted to internal financial controls. The Company will report in accordance with the Turnbull guidance in next year's annual report.

Statement of Internal Financial Control

The Board of Directors is responsible for ensuring that the Group adequately and effectively maintains a system of internal financial control and that this system provides the Board with reasonable assurance regarding the reliability of the financial information and the safeguarding of the Group's assets. Such a system can only provide reasonable and not absolute assurance against material mis-statement or loss. The Board discusses all aspects of internal financial control with the executive directors and with the external auditors.

The Board has reviewed the reasonableness and effectiveness of the system of internal financial control. As part of its review the following procedures are in place:

- The Internal Financial Control Committee, consisting of two subsidiary Finance Directors, two Financial Controllers within the Group and the Group Financial Controller (not the Group Finance Director) reports both to the Audit Committee and to the Group Finance Director twice yearly or as necessary. Each individual operating unit must regularly confirm in writing that their internal financial controls have been properly reviewed. The Internal Financial Control Committee also monitors that each operating unit is complying with this procedure.

- The Board approves in aggregate the Group's budget and compares the actual performance of each operating unit on a monthly basis with each individual operating budget. Variances from budget and the previous year's results are also analysed on a monthly basis. As part of the normal monthly review revised profit forecasts for the year are regularly prepared.

- Capital expenditure is reported to the Board each month and items over £250,000 require its authorisation.

The Board of Directors, through its Audit Committee, has reviewed the operations and the effectiveness of the internal financial control system and considers that there are no material weaknesses that require disclosure in the Company accounts.

CORPORATE GOVERNANCE

CONTINUED

Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- *make judgements and estimates that are reasonable and prudent;*
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

After making 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. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Audit Committee

The Company has an Audit Committee of four non-executive directors chaired by Sir Harry Roche which also comprises Mr P E B Cawdron, Mr H C M Johnston and Mr R G Parry who meet twice a year or as necessary.

The Company Secretary acts as Secretary to the Committee and the Minutes of the Committee are circulated to all Board members. The Finance Director normally attends the meetings. The Chairman and Chief Executive are also invited to attend if required to do so by the Committee. The Company's external auditors also attend the meetings at which the Committee considers the Company's half-year and final results and any other matters which it feels necessary to discuss.

Nomination Committee

This Committee is chaired by Mr F P M Johnston and includes Sir Harry Roche, Mr R G Parry and Mr P E B Cawdron. Its duty is to seek suitable candidates as non-executive directors.

REMUNERATION REPORT

As well as complying with the Provisions of the Code as disclosed in the Company's Corporate Governance Statements, the Board has applied the Principles of Good Governance relating to Directors' remuneration as described below.

The Remuneration Committee

The Committee is chaired by Lord Gordon of Strathblane, a non-executive director, and also comprises two other non-executive directors, Mr F P M Johnston and Sir Harry Roche. It meets at least annually and as necessary. The Committee is charged with recommending the remuneration of the Board, employment conditions, changes to the Executive Share Option Schemes and to the Save as you Earn Scheme, and the introduction of any new Schemes.

The remuneration of the Non-Executive Directors is determined by the Board as a whole based on fees paid by similar companies. The Committee is consulted on and notified of all senior management appointments and related remuneration, it is also consulted on major organisational changes.

Remuneration Policy

The Company's Remuneration Policy for Executive Directors aspires to remunerate the executives in accordance with the performance of the Group and, at the same time, to retain and attract executives of the highest calibre. In assessing its Remuneration Policy the Committee gives full consideration to the Best Practice provisions as set out in Section B of the Principles of Good Governance.

The Remuneration Policy provides for:

- Two-year rolling contracts for existing Executive Directors.
- A salary review annually which takes into consideration the Group's performance and the overall size and structure of the Group following acquisitions and disposals during the year. The Remuneration Committee also refers to external data which can include professional advice from outside the Company.
- A Performance Related Bonus Scheme which is based on the increase in earnings per share over the previous year before the impact of exceptional items. The percentage increase in earnings per share is normally applied to the executive's salary for the financial year under review with a cap of 25 per cent of the executive's earnings. The Board retains the discretion to recognise performances over and above this arrangement where exceptional circumstances apply.
- Membership of the Johnston Press Executive Pension Scheme, which provides for retirement at age 62, a pension at normal retirement date of two-thirds final pensionable salary subject to the completion of 20 years service and life cover of four times pensionable salary. The definition of pensionable salary includes performance related annual bonuses. The Committee considers that as this bonus is based on performance and has been in operation for some considerable time, its inclusion is fully justified.
- Share Options

Share Option Scheme

The Company operates an Executive Share Option Scheme and details are given in note 27 to the Accounts. Certain former and current Directors have already participated in the scheme.

The Remuneration Committee reviews each grant of any further options to subsidiary company executives on the recommendation of the executive directors.

These options are only capable of being exercised if the growth in the Company's earnings per share exceeds the growth in the retail price index by three percentage points over the average of three years.

Following advice from independent consultants, a revised Inland Revenue approved and a new unapproved Executive Share Option Scheme were adopted by shareholders at an Extraordinary General Meeting held in September 1998.

Pension Scheme

The Group operates a common investment fund which holds the assets of the majority of the Group's UK pension funds, which are totally separate from the assets of the Company and of the Group, and invested by independent fund managers. Professional independent trustees and member trustees are appointed to each of the separate pension funds and a firm of external actuaries and consultants act as secretaries and advisers to the schemes. Members of all pension schemes annually receive a report from the trustees and a statement of their accrued benefits.

a) Directors' Emoluments

	Salary/fees		Taxable Benefits		Performance Related Bonus		Total Emoluments	
	1999	1998	**1999**	1998	**1999**	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Chairman								
F P M Johnston	**63**	60	**13**	14	**—**	—	**76**	74
Executive Directors								
T J Bowdler	**276**	240	**10**	9	**69**	48	**355**	297
M L A Chiappelli	**215**	186	**11**	13	**54**	37	**280**	236
Non-Executive Directors								
I Dickson	**21**	20	**—**	—	**—**	—	**21**	20
Lord Gordon of Strathblane	**21**	20	**—**	—	**—**	—	**21**	20
H C M Johnston	**21**	20	**—**	—	**—**	—	**21**	20
R G Parry	**21**	20	**—**	—	**—**	—	**21**	20
Sir Harry Roche	**32**	30	**—**	—	**—**	—	**32**	30
E N Wood	**—**	10	**—**	—	**—**	—	**—**	10
P E B Cawdron	**21**	7	**—**	—	**—**	—	**21**	7
	691	613	**34**	36	**123**	85	**848**	734

Taxable benefits include car, fuel, telephone and health insurance benefits.

REMUNERATION REPORT

CONTINUED

b) Pension Benefits

The following directors had accrued pension benefits under the Group's defined benefit schemes:

	Complete Years of Service at 31 December 1999	Increase in Accrued Pension during year to 31 December 1999	Accumulated Total Accrued Pension at 31 December 1999	Transfer Value of Increase
		£'000	£'000	£'000
T J Bowdler	6	13	89	160
M L A Chiappelli	25	23	112	318
H C M Johnston	12	–	13	–

With the exception of Mr T J Bowdler, the above Directors were members of the Group Pension Schemes before the introduction of the pensionable salary cap in May 1989. In the case of Mr T J Bowdler, in addition to his membership of the Group defined benefits scheme, other pension arrangements have been put in place through an unapproved funded arrangement based on the independent advice of actuaries to provide benefits commensurate with the other Executive Director. The figures shown for Mr T J Bowdler reflect his total pension benefits.

c) Share Option Schemes

	At 01.01.99	Number of options during the year Granted	Exercised	At 31.12.99
Executive Share Option				
T J Bowdler	300,000	50,000	–	350,000
M L A Chiappelli	67,391	25,000	–	92,391
Savings Related Scheme				
T J Bowdler	9,583	–	–	9,583

The above options are exercisable:

T J Bowdler			
	200,000	at a price of 137.75p	between 05.01.1997 and 05.01.2004
	9,583	at a price of 180.00p	between 01.09.2002 and 28.02.2003
	100,000	at a price of 223.00p	between 22.05.2001 and 22.05.2005
	50,000	at a price of 277.50p	between 28.05.2002 and 28.05.2009
M L A Chiappelli			
	17,391	at a price of 172.50p	between 15.07.2000 and 15.07.2007
	50,000	at a price of 223.00p	between 22.05.2001 and 22.05.2005
	25,000	at a price of 277.50p	between 28.05.2002 and 28.05.2009

The options granted during the year are only exercisable subject to the level of achievement of the performance criteria denoted in the Remuneration Report.

The middle market price of the Ordinary Shares was as follows:

On 1 January 1999	215.00p	Highest price during year	365.00p
On 31 December 1999	365.00p	Lowest price during year	196.00p

BOARD OF DIRECTORS

From Left to Right:

M L A Chiappelli, T J Bowdler, F P M Johnston, Lord Gordon of Strathblane, R G Parry, Sir Harry Roche, P E B Cawdron, H C M Johnston, I Dickson, P R Cooper

F P M Johnston, CBE, MA
Chairman (64)
Former Managing Director and Executive Chairman of the Group. Retired as Executive Director in September 1997. Non-Executive Director of The Scottish Mortgage & Trust plc, TSB Bank Scotland plc, Press Association Ltd. Council member of The Newspaper Society.
jpress@go-free.co.uk

T J Bowdler, BSc, MBA
Chief Executive (52)
Joined the Board in 1994. Former Managing Director of Cape Architectural & Building Products Ltd, a division of Cape plc. Council member of The Newspaper Society.
tim@bowdler.com

M L A Chiappelli, CA
Executive Director (55)
Joined Company in 1974. Group Finance Director. Held a number of senior posts in the Group including that of Company Secretary before joining the Board in 1980.
marco.chiappelli@go-free.co.uk

H C M Johnston
Non-Executive (53)
Joined the Board in 1971. Former Managing Director Johnston (Falkirk) Ltd.
jpress@go-free.co.uk

I Dickson, LLB
Non-Executive (49)
Joined the Board in 1985. Lawyer, Partner in MacRoberts, Solicitors.
ian.dickson@macroberts.co.uk

Sir Harry Roche
Non-Executive Deputy Chairman (66)
Joined the Board in 1993. Chairman of Press Association Ltd. Non-Executive Director of Jazz FM plc.
HJR@marloes2.freeserve.co.uk

Lord Gordon of Strathblane, CBE, MA
Non-Executive (63)
Joined the Board in 1996. Chairman of Scottish Radio Holdings plc, previously its Chief Executive. Chairman of the Scottish Tourist Board and a Trustee of the National Galleries of Scotland.
jpress@go-free.co.uk

R G Parry
Non-Executive (46)
Joined the Board in 1997. Chief Executive of Clear Channel Int. Ltd. Non-Executive Director of Jazz FM plc.
roger@rogerparry.com

P E B Cawdron
Non-Executive (56)
Joined the Board in 1998. Former Group Strategy Development Director of Grand Metropolitan PLC. Non-Executive Director of a number of quoted companies.
jpress@go-free.co.uk

Secretary
P R Cooper, ACA
Company Secretary (43)
Chartered Accountant. Former Finance Director of Yorkshire Weekly Newspaper Group Limited. Appointed Company Secretary 1996.
richard.cooper@go-free.co.uk

GROUP STRUCTURE

Group

Chairman
F P M Johnston

Chief Executive
T J Bowdler

Finance Director
M L A Chiappelli

Company Secretary
P R Cooper

Web printing

D G Crow
Divisional Managing
Director

Publishing

J Bradshaw
Head of Marketing and
New Media

Newspaper Divisions

Johnston Newspapers
(Scotland)
S McPherson
Divisional Managing
Director

Johnston Newspapers
(North East)
A Blood
Divisional Managing
Director

Johnston Newspapers
(North of England)
G S Gould
Divisional Managing
Director

Johnston Newspapers
(North Midlands)
C Green
Divisional Managing
Director

Johnston Newspapers
(East Midlands)
C J Pennock
Divisional Managing
Director

Johnston Newspapers
(South Midlands)
P W Walker
Divisional Managing
Director

Johnston Newspapers
(South of England)
D Cammiade
Divisional Managing
Director

Newspaper Titles

SCOTLAND

Johnston (Falkirk) Ltd

The Falkirk Herald W	31,867
Linlithgowshire Journal & Gazette W	7,544
Cumbernauld News & Kilsyth Chronicle W	12,718
Carluke & Lanark Gazette W	*11,933*
Falkirk, Linlithgow & Grangemouth Advertiser F	60,289
Cumbernauld & Kilsyth Advertiser F	18,821
The Arbroath Herald & Angus County Advertiser W	10,259
Kirkintilloch & Bishopbriggs Herald W	12,069
Milngavie & Bearsden Herald W	7,176
Motherwell Times & Bellshill Speaker W	15,442
Strathkelvin Advertiser F	21,118

Strachan & Livingston Ltd

Fife Free Press W	20,309
East Fife Mail W	11,971
Glenrothes Gazette W	6,641
Fife Herald & St. Andrews Citizen W	*13,644*
Fife Leader F	52,610
The Fife Advertiser F	26,397

The Tweedale Press Ltd

Southern Reporter W	16,851
Berwickshire News & East Lothian Herald W	5,359
Berwickshire Advertiser W	*7,316*
Berwick Gazette F	11,112
Hawick News & Scottish Border Chronicle W	7,134
Selkirk Weekend Advertiser W	2,200

NORTH EAST

North East Press Ltd

The Mail (Hartlepool) E	23,608
The Gazette (South Shields) E	23,341
Sunderland Echo E	55,156
Hartlepool Star F	31,029
Houghton Star (with Seaham) F	19,290
Morpeth Herald W	3,181
News Post Leader F	72,055
North Shields & Whitley Bay News Guardian F	65,104
Northumberland Gazette W	10,699
Peterlee Star F	25,530
Seaham Star F	11,858
South Tyne Star F	54,522
Sunderland Star F	49,077
Washington Star W	19,782

NORTH OF ENGLAND

The Halifax Courier Ltd

Evening Courier E	28,524
Brighouse Echo W	6,444
Todmorden News Hebden Bridge Times W	8,963
Calderdale News F	36,055

Yorkshire Weekly Newspaper Group Ltd

Wakefield Express W	30,725
Pontefract & Castleford Express W	22,081
Selby Times W	8,170
Morley Advertiser W	3,624
Wakefield Extra Series (inc. Morley Extra) F	61,794
Leeds Express F	53,856
Hemsworth & South Elmsall Express F	20,383
Pontefract & Castleford Extra F	38,538
Ossett & Horbury Extra F	14,355
Selby Chronicle F	14,314

South Yorkshire Newspapers Ltd

Doncaster Free Press W	30,791
Doncaster Courier F	57,455
Doncaster Advertiser F	59,625
South Yorkshire Times W	7,659
Mexborough & District Leader F	44,997
Goole, Thorne & Howden Courier F	21,378

Yorkshire Regional Newspapers Ltd

Scarborough Evening News E	17,238
The Malton & Pickering Mercury W	3,141
Filey Mercury W	2,842
Whitby Gazette W	13,449
Bridlington Free Press W	14,028
Driffield Times W	5,499
Beverly Guardian F	8,629
Bridlington Gazette & Herald F	*15,540*
Driffield Post W	3,860
Pocklington Post W	4,046

NORTH MIDLANDS

Wilfred Edmunds Ltd

Derbyshire Times W	41,939
Buxton Advertiser W	14,130
Ripley & Heanor News W	12,368
Ilkeston Advertiser W	9,398
Matlock Mercury W	*9,421*
Eastwood & Kimberley Advertiser W	4,925
Chesterfield Express F	47,637
Chesterfield Advertiser F	51,683
Alfreton Echo F	21,855
Dronfield Advertiser F	10,222
Chesterfield Gazette F	29,360
Bolsover Advertiser F	10,378
High Peak Courier F	25,999
Buxton Times F	5,945
Ilkeston Shopper F	*16,000*
Eastwood Shopper F	23,500
Belper News F	3,534
Peak Times F	16,082
Eckington Leader F	22,926

North Notts Newspaper Group Ltd

Hucknall Dispatch W	7,864
Worksop Guardian W	12,186
Mansfield Chad W	33,329
Mansfield Observer F	70,800
Alfreton Chad F	15,402
Ashfield Chad F	25,160

Key to Newspaper Titles listing

Newspaper Title		Circulation Figures
	E - Evening paid for newspaper	
	W - Weekly paid for newspaper	
	F - Free newspaper	

Newspaper Titles (continued)

Dinnington Guardian F	28,261
Midweek Guardian F	12,701
Retford Guardian F	24,042

EAST MIDLANDS

East Midlands Newspapers Ltd

Peterborough Evening Telegraph E	28,025
Peterborough Citizen F	61,266
Town Crier F	48,407
Fenland Citizen F	39,043

Welland Valley Newspapers Ltd

Stamford Mercury W	21,607
Spalding Guardian W	16,328
Lincs Free Press W	19,291
Harborough Mail W	12,437
Melton Times W	13,718
Grantham Journal W	20,151
Stamford Citizen F	16,000
Melton Citizen F	14,200
Grantham Citizen F	18,841

Anglia Newspapers Ltd

Lynn News W	47,552
Bury Free Press W	29,979
Suffolk Free Press W	8,782
Diss Express W	8,718
Newmarket Journal W	12,253
Haverhill Echo W	5,871
Norfolk Citizen F	38,424
Bury Citizen F	23,437

SOUTH MIDLANDS

Northamptonshire Newspapers Ltd

Chronicle & Echo E	28,000
Northampton Evening Telegraph E	32,331
Northampton Mercury F	68,273
Kettering Citizen F	72,313

Premier Newspapers Ltd

Milton Keynes Citizen F	96,701
Sunday Citizen F	91,235
Leighton Buzzard Citizen F	15,884
Leighton Buzzard Observer W	7,945

Central Counties Newspapers Ltd

Bucks Herald W	23,911
Buckingham & Winslow Advertiser W	11,201
Hemel Gazette W	15,751
Banbury Guardian W	21,385
Rugby Advertiser W	12,427
Daventry Express W	9,654
Leamington Courier Series W	20,173
Bucks Advertiser F	45,952
Bicester Review F	9,754
Hemel Herald Express F	56,433
Banbury Citizen F	33,014
Rugby Review F	45,142
Leamington Review F	46,540
AylesburyTV Guide F	—
Hemel TV Guide F	36,000

Bedfordshire Newspapers Ltd

Luton Herald & Post F	101,365
Bedfordshire Times & Citizen F	61,359
Luton News W	10,473
Dunstable Gazette W	4,243
Biggleswade Chronicle W	11,472
Mid-Beds Times & Citizen F	20,503

Advertiser Publications Ltd

Northant TV Advertiser F	122,709
Bedford TV Advertiser F	55,338
Milton Keynes TV Advertiser F	55,426

SOUTH OF ENGLAND

T. R. Beckett Ltd

Hastings Observer W	22,725
Bexhill Observer W	9,654
Rye & Battle Observer W	6,350
Sussex Express W	18,144
Eastbourne Herald W	27,131
Eastbourne Gazette (inc. Hailsham and Seaford Gazettes) W	11,391
Worthing Herald W	18,598
Shoreham Herald W	4,147
Littlehampton Gazette W	8,828
Hastings News F	52,129
Bexhill News F	N/A
Eastbourne Advertiser F	48,836
Worthing Advertiser (inc. Shoreham and Littlehampton Advertisers) F	61,347

West Sussex Newspapers Ltd

Mid Sussex County Times W	24,542
Mid Sussex Times W	15,757
Crawley Observer W	17,374
Horsham Advertiser F	35,253
Worthing Guardian F	85,313
Mid Sussex Citizen F	30,178
Weekend Herald F	59,906

Portsmouth Publishing & Printing Ltd

The News (Portsmouth) E	70,432
Bognor Regis Guardian F	29,498
Guardian Homefinder F	29,531
Observer Series (Chichester, Bognor Regis and Midhurst & Petworth Observer) W	39,483
Ems Valley Gazette F	N/A
Hayling Islander F	10,700
Portsmouth Journal Series F	161,242
Petersfield & Bordon Post W	9,146
West Sussex Gazette W	14,497

On-line newspapers

Banbury Guardian
http://www.banburyguardian.co.uk
Belper News soon
http://www.belpernews.co.uk
Bexhill Observer
http://www.bexhillobserver.co.uk
Buckingham Advertiser
http://www.buckinghamonline.co.uk
Bucks Herald
http://www.bucksherald.co.uk
Bury Free Press
http://www.buryfreepress.co.uk
Buxton Advertiser
http://www.buxtonadvertiser.co.uk
Crawley Observer
http://www.crawleyobserver.co.uk
Daventry Express
http://www.daventryonline.co.uk
Derbyshire Times
http://www.derbyshiretimes.co.uk
Doncaster Free Press
http://www.doncasteronline.co.uk
Eastbourne Herald
http://www.eastbourneherald.co.uk
Eastwood Advertiser
http://www.eastwoodadvertiser.co.uk
Falkirk Herald
http://www.falkirkherald.co.uk
Fife Free Press
http://www.fifefreepress.co.uk
Grantham Journal
http://www.granthamjournal.co.uk
Halifax Courier
http://www.halifaxcourier.co.uk
Harborough Mail
http://www.harboroughmail.co.uk
Hartlepool Mail
http://www.hartlepoolmail.co.uk
Hastings Observer
http://www.observeronline.co.uk
Hemel Hempstead Gazette
http://www.hemelonline.co.uk
Hucknall Dispatch
http://www.hucknall-dispatch.co.uk
Ilkeston Advertiser
http://www.ilkestonadvertiser.co.uk
Isle of Man
http://www.isle-of-man-newspapers.com
Kenilworth Weekly News
http://www.kenilworthonline.co.uk
Leamington Spa Courier
http://www.leamingtononline.co.uk
Luton Herald & Post
http://www.lutononline.co.uk
Lynn News
http://www.lynnnews.co.uk
Mansfield Chad
http://www.chad.co.uk
Matlock Mercury
http://www.matlockmercury.co.uk
Mid Sussex Times
http://www.midsussextimes.co.uk
Milton Keynes Citizen
http://www.mkcitizen.co.uk
Northamptonshire Evening Telegraph
http://www.northamptonshireeveningtelegraph.co.uk
Northampton Chronicle & Echo
http://www.northamptonchronicleecho.co.uk
Peterborough Evening Telegraph
http://www.peterboroughet.co.uk
Portsmouth News
http://www.thenews.co.uk
Ripley News soon
http://www.ripleynews.co.uk
Rugby Advertiser
http://www.rugbyonline.com
Rye & Battle Observer
http://www.ryeandbattleobserver.co.uk
Scarborough Evening News
http://www.scarboroughevening news.co.uk
South Shields Gazette
http://www.shieldsgazette.com
Stamford Mercury
http://www.stamfordmercury.co.uk
Sunderland Echo
http://www.sunderlandecho.com
Sussex Express
http://www.sussexexpress.co.uk
Wakefield Express
http://www.wakefieldexpress.co.uk
Warwick Courier
http://www.warwickonline.co.uk
West Sussex County Times
http://www.horshamonline.co.uk
Worksop Guardian
http://www.worksop-guardian.co.uk
Worthing Herald
http://www.worthingherald.co.uk

DIRECTORS' REPORT

Principal Activities

The Group's main activities are the publication and printing of weekly and evening newspapers, both paid-for and free, together with associated web sites.

Review of Business

The results for the year are set out in the Group Profit and Loss Account on page 34. The Group profit for the year before taxation was £49,834,000 (1998 - £45,888,000) which results in a retained profit transferred to Reserves of £26,391,000 (1998 - £24,449,000). Details of the business activities during the year are set out in the Chief Executive's Review and in the Financial Review.

Dividends

The Directors recommend a final dividend of 2.75p per share making a total dividend of 4p per share for the year. Subject to approval by members the final dividend will be paid to those Ordinary Shareholders on the register at 8 May 2000.

Share Capital

Details of Share Capital are shown in note 21.

Fixed Assets

In the opinion of the Directors there is no material difference between the book and current value of interests in land and buildings.

Year 2000

As reported in previous years the Group reviewed all its computer systems before the year 2000 and is pleased to report that it has not experienced any failures, malfunctions or delays in implementing year 2000 compliance.

Environmental Policy

The Board acknowledges that environmental protection is one of the Company's business responsibilities. It aims for a continuous improvement in the Company's environmental performance and to comply with all relevant regulations. The Board proposes to implement an internal audit and assessment procedure in order to monitor its performance and to take any action that is appropriate. To achieve this, it has commissioned external advisers to assess the actions required to achieve these objectives. The first phase of this appraisal has been completed and the Group is confident that an appropriate system will be in place by the autumn of this year.

Donations

Charitable donations amounted to £57,000 (1998 - £41,000). There were no payments for political purposes.

Supplier Payment Policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment, and to abide by the terms of payment. Trade creditors of the Company at 31 December 1999 were equivalent to 19 days purchases, (1998 - 22 days) based on the average daily amount invoiced by suppliers during the year.

Directors and their interests

Lord Gordon of Strathblane and Mr F P M Johnston retire by rotation and being eligible for re-appointment offer themselves for re-election. Neither of these directors has a service contract. Mr I Dickson also retires by rotation but is not seeking re-appointment.

Mr F P M Johnston has decided to stand down as the non-executive Chairman with effect from the Annual General Meeting in 2001. The Board has agreed, following the recommendation of the Nomination Committee, to appoint Mr R G Parry as his replacement with effect from the Annual General Meeting in 2001. Mr F P M Johnston will continue as a non-executive director.

The Shareholdings shown below are in all cases held beneficially. Details of share options held by Directors are shown on page 26.

The Directors during the year and their interests in the share capital of the Company were as follows:

	Ordinary Shares of 10p each	
	31 December 1999	31 December 1998
F P M Johnston	**12,396,790**	12,396,790
T J Bowdler	**21,600**	16,000
M L A Chiappelli	**1,679,231**	1,679,231
H C M Johnston	**12,200,000**	12,556,342
I Dickson	**65,556**	65,556
Sir Harry Roche	**45,762**	45,762
Lord Gordon of Strathblane	**33,793**	33,793
R G Parry	**39,470**	4,470
P E B Cawdron	**7,000**	—

There have been no significant changes in the Directors' Shareholdings since 31 December 1999.

No Director had any material interest in any contract, other than a service contract, with the Company or any subsidiary at any time during the year, with the exception of Mr I Dickson, as a partner in MacRoberts, the Company's solicitors, for the fees for legal services which totalled £72,000 in 1999 (1998 - £156,000). There was £32,000 outstanding to MacRoberts at 31 December 1999 (1998 - £4,000).

Substantial Shareholdings

So far as the Directors are aware the only holders of 3 per cent or more of the Ordinary Share Capital of the Company, other than Directors, are as follows:

	No of Ordinary Shares
J C M Johnston	6,229,003
The trustees of H C M Johnston's children's trusts	11,200,000
M F Johnston	6,716,956
R T Johnston	6,784,373
Legal & General Investment Management Ltd	6,413,262

DIRECTORS' REPORT

CONTINUED

Employee Involvement

It is the policy of the Group to encourage and develop every member of staff to realise their maximum potential. Wherever possible, vacancies are filled from within the Group and adequate opportunities for internal promotion are created. The Board is committed to a systematic training policy.

It is also the policy of the Group, where possible, to give sympathetic consideration to disabled persons in their application for employment within the Group, and to protect the interests of existing members of the staff who are disabled.

Special Business

Three resolutions are set out under Special Business in the notice of the year's Annual General Meeting. The purpose of the first, an Ordinary Resolution, is to adopt an All-Employee Share Plan to be proposed in the Finance Bill 2000.

The second, an Ordinary Resolution, is to renew the Directors' authority to allot shares up to a maximum nominal amount of £6,682,885, representing 33.33% of the existing issued ordinary share capital. The Directors have, however, no current intention of exercising that authority.

The third, a Special Resolution, relates to the limited powers given to the Directors to allot equity securities for cash representing up to 5% of the existing issued ordinary share capital, without the statutory pre-emption provisions of the Companies Act 1985 applying. This power, which accords with normal practice, expires on the date of this year's Annual General Meeting. The purpose of the Special Resolution is to renew this power for a further year.

Close Company Status

So far as the Directors are aware the Company is not a close company for taxation purposes.

Directors' Liability

As permitted by the Companies Act 1985 the Company has insurance cover for the Directors against liabilities in relation to the Group.

Auditors

Arthur Andersen have intimated their willingness to seek re-appointment and a resolution to re-appoint them as Auditors of the Company will be put to members at the Annual General Meeting.

By Order of the Board

P R Cooper

P R Cooper, ACA
Secretary
53 Manor Place
Edinburgh EH3 7EG
20 March 2000

AUDITORS' REPORT

To the Shareholders of Johnston Press plc:

We have audited the accounts on pages 34 to 58 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 39 and 40. We have also examined the amounts disclosed relating to the emoluments, pension benefits and share options of the Directors which form part of the remuneration report on pages 25 and 26.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report including, as described on page 22, preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company and the Group is not disclosed.

We review whether the corporate governance statement on page 18 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 December 1999 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen. Arthur Andersen.

Arthur Andersen
Chartered Accountants and Registered Auditors
18 Charlotte Square
Edinburgh EH2 4DF
20 March 2000

GROUP PROFIT AND LOSS ACCOUNT

Year to 31 December 1999	Notes	**1999 £'000**	1998 £'000
Turnover			
Existing		**202,297**	191,936
Acquisitions		**37,576**	–
Continuing operations		**239,873**	191,936
Discontinued operations		**2,691**	9,796
Total turnover	2	**242,564**	201,732
Cost of sales	3	**(130,217)**	(107,734)
Gross profit		**112,347**	*93,998*
Other operating expenses (net)	3	**(46,433)**	(42,883)
Operating profit	4	**65,914**	51,115
Existing		**56,614**	50,178
Acquisitions		**9,193**	–
Continuing operations		**65,807**	50,178
Discontinued operations		***107***	937
Operating profit		**65,914**	51,115
Share of associated undertakings		**310**	242
Operating profit after associated undertakings		**66,224**	51,357
Exceptional items	5	**(5,230)**	686
Profit on ordinary activities before interest and taxation		**60,994**	52,043
Net interest	6	**(11,160)**	(6,155)
Profit on ordinary activities before taxation		**49,834**	45,888
Taxation on profit on ordinary activities	9	**(15,272)**	(14,270)
Profit for the financial year		**34,562**	31,618
Dividends on equity and non-equity shares	10	**(8,171)**	(7,169)
Retained profit for year	22	**26,391**	24,449
Earnings per share	11		
Headline		**19.20p**	15.73p
Headline diluted		**19.08p**	15.70p
Basic		**17.16p**	15.70p
Diluted		**17.06p**	15.67p

A statement of movements on reserves is given in note 22.
The accompanying notes are an integral part of these accounts.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year to 31 December 1999	1999 £'000	1998 £'000
Profit for the financial year	**34,562**	31,618
Revaluation surplus	**167**	—
Total recognised gains and losses for the financial year	**34,729**	31,618

GROUP RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year to 31 December 1999	1999 £'000	1998 £'000
Profit for the financial year	**34,562**	31,618
Dividends	**(8,171)**	(7,169)
Other recognised gains and losses relating to the year (net)	**167**	—
Goodwill written back on disposal	**1,329**	—
New share capital subscribed, including share premium	**16**	43
Net increase in shareholders' funds	**27,903**	24,492
Opening shareholders' funds	**184,937**	160,445
Closing shareholders' funds	**212,840**	184,937

GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES

Year to 31 December 1999	1999 £'000	1998 £'000
Reported profit on ordinary activities before taxation	**49,834**	45,888
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**94**	78
Historical cost profit on ordinary activities before taxation	**49,928**	45,966
Historical cost profit for the year retained after taxation and dividends	**26,485**	24,527

The accompanying notes are an integral part of these accounts.

GROUP BALANCE SHEET

As at 31 December 1999	Notes	1999 £'000	1998 £'000
Fixed assets			
Intangible	12	**403,440**	217,357
Tangible	13	**91,846**	48,009
Investments	14	**1,821**	378
		497,107	265,744
Current assets			
Stocks	15	**2,232**	2,895
Debtors - due within one year	16	**37,207**	26,389
- due after more than one year	16	**2,549**	1,790
Cash at bank and in hand	23g	**11,853**	9,044
		53,841	40,118
Creditors: amounts falling due within one year	17	**(71,512)**	(53,262)
Net current liabilities		**(17,671)**	(13,144)
Total assets less current liabilities		**479,436**	252,600
Creditors: amounts falling due after more than one year	18	**(260,790)**	(64,258)
Provisions for liabilities and charges	20	**(5,806)**	(3,405)
Net assets	2	**212,840**	184,937
Capital and reserves			
Called-up share capital			
Equity	21	**20,048**	20,047
Non-equity	21	**1,106**	1,106
		21,154	21,153
Reserves	22	**191,686**	163,784
Capital employed		**212,840**	184,937

The accounts were approved by the Board of Directors on 20 March 2000 and were signed on its behalf by:

F P M Johnston, Director
20 March 2000

The accompanying notes are an integral part of these accounts.

GROUP CASH FLOW STATEMENT

Year to 31 December 1999	Notes	1999 £'000	1998 £'000
Net cash inflow from operating activities	23a	**68,595**	56,960
Returns on investments and servicing of finance	23b	**(11,888)**	(6,218)
Taxation	23c	**(19,226)**	(11,041)
Capital expenditure and financial investment	23d	**(9,026)**	(5,784)
Acquisitions and disposals	23e	**(148,120)**	(10,123)
Equity dividends paid		**(7,217)**	(6,315)
Cash (outflow)/inflow before management of *liquid resources and financing*		**(126,882)**	17,479
Financing	23f	**129,761**	(18,560)
Increase/(decrease) in cash in the year	23g	**2,879**	(1,081)

The accompanying notes are an integral part of these accounts.

COMPANY BALANCE SHEET

As at 31 December 1999	Notes	1999 £'000	1998 £'000
Fixed Assets			
Tangible	13	**2,356**	1,141
Investments	14	**512,015**	245,628
		514,371	246,769
Current assets			
Stocks	15	**193**	184
Debtors - due within one year	16	**111,722**	55,034
- due after more than one year	16	**675**	11
Cash at bank and in hand		**7,140**	6,439
		119,730	61,668
Creditors: amounts falling due within one year	17	**(94,681)**	(38,118)
Net current assets		**25,049**	23,550
Total assets less current liabilities		**539,420**	270,319
Creditors: amounts falling due after more than one year	18	**(257,210)**	(64,163)
Provisions for liabilities and charges	20	**(917)**	(660)
Net assets		**281,293**	205,496
Capital and reserves			
Called-up share capital			
Equity	21	**20,048**	20,047
Non-equity	21	**1,106**	1,106
		21,154	21,153
Reserves	22	**260,139**	184,343
Capital employed		**281,293**	205,496

The accounts were approved by the Board of Directors on 20 March 2000 and were signed on its behalf by:

F P M Johnston, Director
20 March 2000

The accompanying notes are an integral part of these accounts.

NOTES TO THE ACCOUNTS

1. Accounting Policies **Year to 31 December 1999**

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and using applicable accounting standards. No Profit and Loss Account is presented for the Parent Company as permitted by Section 230 of the Companies Act 1985. Of the consolidated profit for the financial year, £83,952,000 (1998 - £27,147,000) is dealt with in the accounts of the Parent Company.

Basis of consolidation
The Group accounts consolidate the accounts of Johnston Press plc and all its subsidiaries made up to 31 December each year.

The Group has adopted the acquisition method of accounting. Under this method the results of subsidiary undertakings acquired or disposed of during the year are included in the Group Profit and Loss Account from the date of acquisition or up to the date of disposal. In accordance with FRS10, as from 1 January 1998, goodwill is capitalised. Goodwill arising on acquisitions in the year ended 31 December 1997 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Publishing Titles
Publishing titles separately acquired after 1 January 1989 are stated in the Balance Sheet at cost. All publishing titles owned by subsidiaries acquired after 1 January 1996 are included in the Balance Sheet at Directors' valuation. The Company has taken the view that these titles have no finite life, and in accordance with the provisions of FRS10 and FRS11 impairment tests are undertaken to determine any diminution in value.

Tangible fixed assets
Freehold properties are shown at cost or valuation as set out in note 13. Other tangible fixed assets are shown at cost.

Depreciation is provided on all tangible fixed assets at varying rates calculated to write off cost or valuation over their useful lives.
The principal rates employed are:

Heritable and freehold property (excluding land)	$2\frac{1}{2}$% on written down value
Leasehold land and buildings	equal annual instalments over term of lease
Web offset presses	5% straight line basis
Pre-press systems	20% straight line basis
Other plant and machinery	$7\frac{1}{2}$% and 15% on written down value
	$6\frac{2}{3}$%, 10% and 20% straight line basis
Motor vehicles	25% on written down value
	25% straight line basis

Revaluation of properties
Individual freehold and leasehold properties are revalued every five years with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus. Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Fixed asset investments
Fixed asset investments are shown at cost less amounts written off except for investments in associated undertakings.
In the Group Accounts, investments in associated undertakings are accounted for using the equity method.
The Group Accounts include the Group's share of the profit and net assets of associates.

Stocks
Stocks are stated at the lower of cost and net realisable value as follows:
Cost incurred in bringing materials to their present location and condition comprises; raw materials and goods for resale — purchase cost on a first-in first-out basis; work in progress — cost of direct materials, labour and certain overheads. Net realisable value comprises; selling price less any costs anticipated on disposal.

Leasing
Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

NOTES TO THE ACCOUNTS

CONTINUED

1. Accounting Policies (continued)

Turnover
Turnover represents net invoiced sales to customers excluding value added tax.

Taxation
Corporation tax payable is provided on taxable profits at the current rate.

Provision is made for deferred taxation using the liability method, to take account of all timing differences except where it is thought reasonably probable that the tax effects of such deferrals will continue for the foreseeable future. The full amount of all deferred taxation is shown in note 20.

Finance Costs
Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment, and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the period of the contract.

Development grants
Development grants are credited to the Profit and Loss Account by equal instalments over 10 years.

Pension costs
The Group provides pensions to employees through various schemes.

The expected cost of pensions in respect of the Group's defined benefit pension schemes is charged to the Profit and Loss Account so as to spread the cost of pensions over the service lives of employees in the schemes. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes. The pension cost is assessed in accordance with the advice of qualified actuaries.

The cost of contributions to the Group's money purchase scheme is charged to the Profit and Loss Account when incurred.

As required by SSAP 24, provision has been made for unfunded pension commitments, and payments to pensioners in respect of these commitments are charged to the provision.

Further information regarding the Group pension schemes is provided in notes 20 and 25.

2. Turnover/Net Assets Analysis

	Turnover		Net Assets	
	1999	1998	**1999**	1998
a) By activity	**£'000**	£'000	**£'000**	£'000
Continuing operations				
Newspapers and contract printing				
Existing operations	**202,297**	191,936	**207,995**	182,616
Acquisitions	**37,576**	—	**4,845**	—
Total continuing operations	**239,873**	191,936	**212,840**	182,616
Discontinued operations				
Wholesale stationary	**2,691**	9,796	**—**	2,321
	242,564	201,732	**212,840**	184,937

b) By location
All the Turnover and Net assets relate to the United Kingdom for 1999 and 1998.

Turnover for newspapers relates to a 53-week period ended 31 December 1999 and for 52 weeks to 31 December 1998.

There is no significant difference between the geographical origin and destination of turnover.

3. Cost of Sales and Other Operating Costs (net)

	Continuing operations Existing £'000	Continuing operations Acquisitions £'000	Discontinued operations £'000	Total £'000
a) Cost of sales				
1999	106,683	21,743	1,791	130,217
1998	101,235	–	6,499	107,734
b) Other operating costs (net)				
1999				
Distribution costs	17,467	2,536	428	20,431
Administration expenses	21,533	4,104	365	26,002
	39,000	6,640	793	46,433
1998				
Distribution costs	14,923	–	1,274	16,197
Administration expenses	25,600	–	1,086	26,686
	40,523	–	2,360	42,883

Continuing administration expenses in 1998 include abortive acquisition costs of £432,000.

The classification of costs in 1999 between cost of sales, distribution and administration has changed following a Group reorganisation.

4. Operating Profit

	1999 £'000	1998 £'000
a) By activity		
Continuing operations		
Newspapers and contract printing		
Existing operations	**56,614**	50,178
Acquisitions	**9,193**	–
Total continuing operations	**65,807**	50,178
Discontinued operations		
Wholesale stationery	**107**	937
	65,914	51,115

b) By location
All the operating profit is derived from the United Kingdom in 1999 and 1998.

NOTES TO THE ACCOUNTS

CONTINUED

4. Operating Profit (continued)

	1999 £'000	1998 £'000
c) Operating profit is shown after charging or (crediting):		
Depreciation of tangible fixed assets (note 13)	**9,224**	6,793
Loss/(profit) on disposal of tangible fixed assets	**30**	(15)
Redundancy costs	**454**	406
Staff costs (note 7)	**80,357**	67,620
Auditors' remuneration:		
Audit services	**261**	225
Development grant amortisation	**(13)**	(13)
Operating lease charges:		
Plant	**861**	1,075
Other	**1,860**	1,791

In addition to the auditors' remuneration shown above, the auditors received fees of £455,000 (1998 - £76,000) for non-audit services, of which £168,000 related to acquisitions and disposals.

5. Exceptional Items Reported after Operating Profit

	1999 £'000	1998 £'000
(Loss)/profit on sale of businesses	**(680)**	74
Gain on sale of shares in Scottish Radio Holdings plc	**—**	1,756
Closure of Web Offset presses at Chesterfield and Kirkcaldy	**(988)**	(497)
Fundamental reorganisation of production, accounting and distribution departments		
following acquisition of new titles	**(3,562)**	(519)
on continuing operations	**—**	(128)
	(5,230)	686

The aggregate effect of the exceptional items on the amount charged to the Profit and Loss Account for taxation was to reduce the charge by £1,157,000 (1998 - increase of £319,000).

6. Net interest

	1999 £'000	1998 £'000
Income from fixed asset investments	**388**	1
Interest receivable	**935**	403
Total receivable	**1,323**	404
Investments written off	**—**	(110)
Interest payable and similar charges:		
On bank loans and overdrafts	**(10,418)**	(6,289)
On loan stock	**(1,419)**	(89)
Amortisation of term debt issue costs	**(646)**	(71)
Total interest payable and similar charges	**(12,483)**	(6,449)
Net interest	**(11,160)**	(6,155)

7. Employees

	1999 No.	1998 No.
The average monthly number of employees during the year was:		
Newspapers and contract printing	**4,598**	3,978
Wholesale stationery	**24**	100
	4,622	4,078

	£'000	£'000
Staff costs:		
Wages and salaries	**70,738**	58,558
Social security costs	**5,713**	4,886
Other pension costs (note 25)	**3,906**	4,176
	80,357	67,620

8. Directors' Emoluments

Full details of the directors' emoluments, pension benefits and share options are included in the Remuneration Report on pages 24 to 26.

9. Taxation

The taxation charge which is based on profit for the year is made up as follows:	1999 £'000	1998 £'000
Corporation tax	**14,753**	13,150
Tax on profit of associated companies	**87**	75
Taxation under provision in previous year	**118**	12
Deferred taxation (note 20)	**314**	1,033
	15,272	14,270

10. Dividends

	1999	1998
Non-Equity:	**£'000**	£'000
Preference Dividends		
13.75% Cumulative Preference Shares paid	**104**	104
13.75% "A" Preference Shares paid	**48**	48
Equity:		
Ordinary Dividends		
Interim of 1.25p (1998 - 1.15p) paid on 5 November 1999	**2,506**	2,306
Proposed final of 2.75p (1998 - 2.35p) payable on 19 May 2000	**5,513**	4,711
	8,171	7,169

NOTES TO THE ACCOUNTS

CONTINUED

11. Earnings per Share

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

	Headline		Basic/Diluted	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
Profit for the financial year	**34,562**	31,618	**34,562**	31,618
Abortive acquisition costs	**–**	432	**–**	–
Exceptional items	**5,230**	(686)	**–**	–
Tax effect of exceptional items	**(1,157)**	319	**–**	–
Preference dividends	**(152)**	(152)	**(152)**	(152)
	38,483	31,531	**34,410**	31,466

	1999	1998
	No. of shares	*No. of shares*
Weighted average number of shares		
For headline/basic earnings per share	**200,480,483**	200,474,874
Exercise of share options	**1,180,286**	363,150
For diluted earnings per share	**201,660,769**	200,838,024

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

12. Intangible Fixed Assets

	Group	Company
	£'000	£'000
Publishing titles:		
Cost and net book value		
At 1 January 1999	217,357	–
Additions (note 14)	*186,083*	–
At 31 December 1999	403,440	–

13. Tangible Fixed Assets

Group	Freehold buildings £'000	Leasehold buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 1999	20,957	1,300	38,599	8,493	69,349
Additions	559	273	6,873	2,187	9,892
New subsidiaries	8,764	3,035	31,690	1,484	44,973
Disposals	(340)	–	(134)	(535)	(1,009)
Subsidiaries sold	–	–	(294)	(644)	(938)
At 31 December 1999	29,940	4,608	76,734	10,985	122,267
Depreciation					
At 1 January 1999	838	280	16,905	3,317	21,340
Disposals	–	–	(11)	(102)	(113)
Charge for year	557	125	6,706	1,836	9,224
Exceptional write down	–	–	485	–	485
Subsidiaries sold	–	–	(203)	(312)	(515)
At 31 December 1999	1,395	405	23,882	4,739	30,421
Net book value					
At 31 December 1999	28,545	4,203	52,852	6,246	91,846
At 31 December 1998	20,119	1,020	21,694	5,176	48,009

Company	Freehold buildings £'000	Leasehold buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 1999	590	400	187	203	1,380
Additions	—	—	3	—	3
Disposals	—	—	(11)	(19)	(30)
Transfers	1,370	—	—	—	1,370
At 31 December 1999	*1,960*	*400*	*179*	*184*	*2,723*
Depreciation					
At 1 January 1999	15	10	142	72	239
Transfers	34	—	—	—	34
Disposals	—	—	(11)	(14)	(25)
Charge for year	48	10	19	42	119
At 31 December 1999	97	20	150	100	367
Net book value					
At 31 December 1999	1,863	380	29	84	2,356
At 31 December 1998	575	390	45	131	1,141

	Group		Company	
	1999	*1998*	**1999**	*1998*
	£'000	£'000	**£'000**	£'000
a) Freehold buildings comprise:				
At valuation	**20,140**	20,480	**1,960**	590
At cost	**9,800**	477	**—**	—
	29,940	20,957	**1,960**	590

Professional valuations were carried out by firms of chartered surveyors on certain of the Group's buildings at 31 December 1997. Valuations were also carried out at 31 December 1996 by professional valuers on those properties acquired from Emap plc and Newsquest Media Group Ltd. The valuations were prepared on the basis of open market value on existing use.

	Group		Company	
	1999	*1998*	**1999**	*1998*
	£'000	£'000	**£'000**	£'000
b) Historical cost figures for freehold buildings are:				
Cost	**27,745**	18,903	**1,772**	542
Depreciation	**(2,022)**	(1,615)	**(247)**	(49)
	25,723	17,288	**1,525**	493

NOTES TO THE ACCOUNTS

CONTINUED

14. Fixed Asset Investments

Group	Associated undertakings £'000	Listed investments £'000	Unlisted investments £'000	Total £'000
At 1 January 1999	167	11	200	378
New subsidiaries	65	396	769	1,230
Revaluation surplus	—	167	—	167
Share of profits for the year	223	—	—	223
Dividends received	(167)	—	—	(167)
Disposal	—	(10)	—	(10)
At 31 December 1999	288	564	969	1,821

Company	Subsidiary undertakings £'000	Listed investments £'000	Total £'000
At 1 January 1999	245,619	9	245,628
Additions	266,408	—	266,408
Disposals	(12)	(9)	(21)
At 31 December 1999	512,015	—	512,015

The aggregate market value of the listed investments for the Group at 31 December 1999 was £564,000 (1998 - £11,000).

The Group holds more than 10% of the equity of the following companies:

Name of company	Country of incorporation	Proportion held	Nature of business
Associated undertakings			
*Emcliffe Ltd	England	50%	Newspaper publishers
*Classified Periodicals Ltd	England	50%	Newspaper publishers
*Free Admart Ltd	England	25%	Newspaper publishers
Subsidiary undertakings			
Johnston (Falkirk) Ltd	Scotland	100%	Newspaper publishers and printers
Strachan & Livingston Ltd	Scotland	100%	Newspaper publishers
Wilfred Edmunds Ltd	England	100%	Newspaper publishers and printers
North Notts Newspapers Ltd	England	100%	Newspaper publishers
Yorkshire Weekly Newspaper Group Ltd	England	100%	Newspaper publishers and printers
West Sussex Newspapers Ltd	England	100%	Newspaper publishers
T R Beckett Ltd	England	100%	Newspaper publishers and printers
*Halifax Courier Ltd	England	100%	Newspaper publishers and printers
*Isle of Man Newspapers Ltd	Isle of Man	100%	Newspaper publishers and printers
South Yorkshire Newspapers Ltd	England	100%	Newspaper publishers
Yorkshire Regional Newspapers Ltd	England	100%	Newspaper publishers and printers
*East Midlands Newspapers Ltd	England	100%	Newspaper publishers
Welland Valley Newspapers Ltd	England	100%	Newspaper publishers
Anglia Newspapers Ltd	England	100%	Newspaper publishers
Northamptonshire Newspapers Ltd	England	100%	Newspaper publishers
Central Counties Newspapers Ltd	England	100%	Newspaper publishers
Premier Newspapers Ltd	England	100%	Newspaper publishers
Bedfordshire Newspapers Ltd	England	100%	Newspaper publishers
Peterboro' Web Ltd	England	100%	Contract printers
*Northampton Web Ltd	England	100%	Contract printers
Southern Web Offset Ltd	England	100%	Contract printers
Johnston Publishing Ltd	England	100%	Newspaper publishers
*Advertiser Publications Ltd	England	100%	Newspaper publishers
*Portsmouth Publishing and Printing Ltd	England	100%	Newspaper publishers and printers
*Northeast Press Ltd	England	100%	Newspaper publishers and printers
*The Tweeddale Press Group Ltd	Scotland	100%	Newspaper publishers

*Held through subsidiary.

Subsidiary undertakings which are dormant are not listed above.

The principal country of operation is the same as the country of incorporation.

Acquisition of subsidiary undertakings

a) **On 29 June 1999** the Company declared its offer for Portsmouth & Sunderland Newspapers plc unconditional. On 10 September 1999 the Company became a wholly owned subsidiary. Of the total consideration amounting to £265,980,000, £62,619,000 was settled by the issue of loan stock and the remainder in cash. The fair value of net assets acquired are outlined below:

	Book value £'000	*Adjustments* £'000	*Fair value to Group* £'000
Fixed assets			
Tangible	45,337	(1,034)[a]	44,303
Intangible	–	178,686[e]	178,686
Investments	1,532	(302)[h]	1,230
Current assets			
Stock	966	(332)[f]	634
Debtors	11,671	(287)[b]	11,384
Prepayments	2,137	(1,463)[g]	674
Cash in bank	59,118	–	59,118
Total assets	120,761	175,268	296,029
Creditors			
Bank loan and finance leases	5,171	–	5,171
Trade creditors	3,999	–	3,999
Other creditors	470	3,000[g]	3,470
Corporation tax	8,202	(313)[d]	7,889
Taxes and social security costs	1,090	–	1,090
Accruals	5,783	647[c]	6,430
Provisions	3,264	(1,264)[d]	2,000
Total liabilities	27,979	2,070	30,049
Net assets	92,782	173,198	265,980

The results for the year to 31 March 1999, for the pre-acquisition period from 1 April 1999 to 30 June 1999 and for the post-acquisition period from 1 July 1999 to 31 December 1999 are shown below:

	Year to 31 March 1999 £'000	Pre-Acquisition £'000	Post-Acquisition £'000
Turnover	202,939	41,362	37,576
Cost of sales	(146,108)	(28,773)	(21,743)
	56,831	12,589	15,833
Other operating expenses (net)	(39,538)	(7,254)	(6,640)
Operating profit	17,293	5,335	9,193
Exceptional items	646	24,373	(2,942)
Interest	(848)	198	671
Profit before taxation	17,091	29,906	6,922
Taxation on profit on ordinary activities	(4,843)	(5,687)	(2,077)
Dividends	(3,057)	(45)	–
Retained profit	9,191	24,174	4,845

In the year to 31 March 1999 there were unrealised gains on the revaluation of properties and investments amounting to £1,254,000.

No minority interest is shown in the Profit and Loss Account for the period from 29 June 1999 when the Group's acquisition of Portsmouth & Sunderland Newspapers plc was declared unconditional until the date it became a wholly-owned subsidiary on 10 September 1999 because the amount is immaterial.

NOTES TO THE ACCOUNTS

CONTINUED

14. Fixed Asset Investments (continued)

b) **On 31 December 1999** the Company acquired through its wholly owned subsidiary Johnston Publishing Ltd, the entire issued share capital of The Tweeddale Press Group Ltd. Of the total consideration amounting to £7,799,765, £2,210,000 was settled by the issue of loan stock and the remainder in cash. The fair value of the assets acquired are outlined below:

	Book value £'000	Adjustments £'000	Fair value to Group £'000
Fixed assets			
Tangible	741	(71)[a]	670
Intangible	—	7,397[e]	7,397
Current assets			
Stock	21	—	21
Debtors	461	—	461
Cash in bank	127	—	127
Total assets	1,350	7,326	8,676
Creditors			
Bank Loans	141	—	141
Trade creditors	72	—	72
Corporation tax	283	—	283
Taxes and social security costs	117	—	117
Accruals	43	208[c]	251
Provisions	12	—	12
Total liabilities	668	208	876
Net assets	682	7,118	7,800

The results for the year to 30 June 1999 and for the pre-acquisition period from 1 July 1999 to 31 December 1999 are shown below:

	Year to 30 June 1999 £'000	Pre Acquisition £'000
Turnover	2,821	1,515
Cost of sales	(383)	(223)
	2,438	1,292
Other operating expenses (net)	(2,429)	(1,169)
Operating profit	9	123
Exceptional items	—	1,226
Net interest receivable	56	22
Profit before taxation	65	1,371
Taxation on profit on ordinary activities	(9)	(238)
Dividends	(29)	(2,809)
Retained profit/(loss)	27	(1,676)

There were no recognised gains and losses other than the profit/(loss) for each period.

The fair value accounting adjustments are:

- a Additional depreciation in respect of plant and machinery to align to Group policy.
- b Additional provision for bad debts.
- c Additional accruals.
- d Taxation in respect of fair value adjustments.
- e Value of publishing titles.
- f Amount to write down stocks to align to Group policy.
- g Write off of pension prepayments and provision for pension deficit.
- h Write off of shares held in employee trust.

	£'000
Summary of fair value of publishing titles capitalised on acquisition of:	
Portsmouth & Sunderland Newspapers plc	178,686
The Tweeddale Press Group Ltd	7,397
Total (note 12)	186,083

c) **On 13 May 1999** the Company disposed of the entire issued share capital of S&E Distributors Ltd. The net consideration after costs amounted to £736,000. £900,000 was received in the form of loan notes. The net assets at the date of disposal were as follows:

	£'000
Fixed assets	423
Current assets	3,123
Total assets	3,546
Current liabilities	(3,459)
Net assets	87

The loss on sale, as shown in the Profit and Loss Account, was arrived at as follows:

	£'000
Net assets disposed of	87
Goodwill on acquisitions, previously written off	1,329
	1,416
Proceeds on sale (net of costs)	(736)
Net loss (note 5)	680

15. Stocks

	Group		Company	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
Raw materials	**2,061**	1,187	**22**	22
Work in progress	**1**	2	**1**	2
Goods for re-sale	**170**	1,706	**170**	160
	2,232	2,895	**193**	184

There is no material difference between the net book value of stocks as shown above and their estimated replacement cost.

NOTES TO THE ACCOUNTS

CONTINUED

16. Debtors

	Group		Company	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade debtors	**33,797**	23,510	**38**	80
Amounts owed by Group undertakings	**–**	–	**17,618**	25,184
Prepayments	**2,324**	1,773	**55**	43
Other debtors	**1,086**	1,106	**301**	60
Dividends receivable	**–**	–	**90,000**	27,725
Corporation tax recoverable	**–**	–	**3,710**	1,942
	37,207	26,389	**111,722**	55,034
Amounts falling due after more than one year:				
Advance corporation tax recoverable	**–**	11	**–**	11
Pension prepayments	**1,743**	1,722	**–**	–
Other debtors	**806**	57	**675**	–
	2,549	1,790	**675**	11

17. Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
Bank loans (note 19)	**10,141**	13,000	**10,000**	13,000
Loan stock (note 19)	**7,551**	911	**5,341**	911
Bank overdrafts (secured)	**–**	70	**1,914**	1,684
Trade creditors	**7,360**	5,334	**15**	15
UK Corporation tax payable	**17,927**	14,438	**114**	–
Other taxes and social security costs	**6,688**	5,852	**–**	336
Amounts owed to Group undertakings	**–**	–	**67,165**	15,472
Dividends proposed	**5,513**	4,711	**5,513**	4,711
Obligations under finance leases	**17**	23	**–**	–
Other creditors	**3,037**	1,072	**93**	–
Accruals	**13,278**	7,851	**4,526**	1,989
	71,512	53,262	**94,681**	38,118

18. Creditors: amounts falling due after more than one year

	Group		Company	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
Bank loans (note 19)	**202,381**	64,000	**202,381**	64,000
Loan stock (note 19)	**57,619**	–	**57,619**	–
Term debt issue costs	**(2,995)**	(221)	**(2,995)**	(221)
Other creditors	**3,635**	444	**205**	384
Obligations under finance leases	**150**	35	**–**	–
	260,790	64,258	**257,210**	64,163

19. Loans

	Group		Company	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
Guaranteed loan stock 1999/2006	**62,619**	–	**62,619**	–
Guaranteed loan stock 1994/2004	**341**	911	**341**	911
Guaranteed loan stock 1999/2004	**2,210**	–	**–**	–
Bank loans (secured)	**212,522**	77,000	**212,381**	77,000
	277,692	77,911	**275,341**	77,911
Repayable:				
Within one year	**17,692**	13,911	**15,341**	13,911
Within one to two years	**22,500**	13,000	**22,500**	13,000
Within two to five years	**237,500**	51,000	**237,500**	51,000
	277,692	77,911	**275,341**	77,911

Derivatives and other financial instruments

The disclosures are as defined in FRS13 and as permitted by that standard, certain financial assets such as investments in subsidiaries, short-term debtors and creditors have been excluded. Further details of the Group's treasury management policy are given on pages 16 and 17.

At the 31 December 1999 the Group had a multi-option borrowing facility of £300 million that consisted of a £200 million fully drawn Term Loan with a maturity date of 17 May 2004 and a Revolving Credit facility of £100 million which also matures on 17 May 2004. The undrawn element of the Revolving Credit at 31 December 1999 amounted to £25 million. The Loan Stock 1999/2006 is part of the £200 million Term Loan facility. Redemptions of 1999/2006 Loan Stock over £5 million are funded from additional drawdowns from the Term Loan facility.

Interest rate profile

At 31 December 1999, the Group's financial assets consisted of sterling cash deposits of £8,486,000 (1998 - £6,250,000) which are placed on money market at call, 7-day and monthly rates and £900,000 of Loan Notes, with an interest rate of 1% above base rate, provided by the purchaser of S & E Distributors Ltd. The interest rate profile of the Group's financial liabilities at 31 December 1999 was:

		Borrowings			
	Total	Floating	Fixed	Floating rate	Fixed rate
	£'000	£'000	£'000	%	%
1999					
Bank borrowings	277,692	177,692	100,000	64	36
1998					
Bank borrowings	77,981	47,181	30,800	60	40

The weighted average interest rate on the fixed rate borrowings at 31 December 1999 was 5.68% (1998 - 6.94%) which is fixed for an average period of 4 years (1998 - 6 months).

The floating rate is Libor plus or minus an agreed margin fixed at maturity intervals which can be monthly, quarterly or half yearly. The margin is based on the following:

a) Loan Stock 1994/2004	0.75% below Libor
b) Loan Stock 1999/2004	1% below Libor
c) Loan Stock 1999/2006	0.5% above Libor
d) Term Loan and Credit Facility	1% above Libor with adjustments dependent on financial ratios.

The directors are of the opinion that there is no material difference between the book value and fair value of these instruments. At 31 December 1999 there were no material unrecognised gains or losses.

NOTES TO THE ACCOUNTS

CONTINUED

20. Provisions for Liabilities and Charges

	Group		Company	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
Deferred taxation	**3,782**	2,224	**(297)**	(466)
Unfunded pensions	**1,214**	1,126	**1,214**	1,126
Post retirement health costs	**768**	–	**–**	–
Development grants	**42**	55	**–**	–
	5,806	3,405	**917**	660

Deferred taxation
The balance on the deferred taxation account represents the postponed liability calculated at 30% (1998 - 30%) arising from:

(i) Timing differences on pension commitments.
(ii) Other timing differences.

Details of the deferred taxation account are as follows:

	(i) Pensions £'000	(ii) Other timing differences £'000	Total £'000
Group			
At 1 January 1999	173	2,051	2,224
Transfer from Profit and Loss Account	6	308	314
New subsidiaries	(900)	2,144	1,244
At 31 December 1999	(721)	4,503	3,782
Company			
At 1 January 1999	(351)	(115)	(466)
Transfer (to)/from Profit and Loss Account	(16)	185	169
At 31 December 1999	(367)	70	(297)

If full provision had been made, the amount of the provision at 31 December 1999 would have totalled £5,050,000 (1998 - £2,504,000) and the charge for either year would not have changed significantly.

Provision for any tax on capital gains which might become payable on the disposal of revalued properties or publishing titles is made only when it is decided in principle to dispose of the asset. The maximum tax liability if these assets had been sold at their book values at 31 December 1999 is estimated to be for properties £445,000 (1998 - £716,000) and for publishing titles £112,792,000 (1998 - £56,502,000).

Apart from £110,000, deferred taxation has been fully provided on the undistributed earnings of Isle of Man Newspapers Ltd.

Unfunded pensions
As required by SSAP 24, a provision has been made for unfunded pension commitments and the liability for such commitments has been valued by a qualified actuary. The movement in the provision during the year is as follows:

	Group £'000	Company £'000
Valuation at 1 January 1999	1,126	1,126
Pensions paid during the year	(246)	(246)
	880	880
Valuation at 31 December 1999	1,214	1,214
Charged to Profit and Loss Account	334	334

21. Share Capital

	1999 £'000	1998 £'000
Authorised — equity		
268,290,000 Ordinary Shares of 10p each (1998 - 268,290,000)	**26,829**	26,829
Authorised — non-equity		
756,000 13.75% Cumulative Preference Shares of £1 each (1998 - 756,000)	**756**	756
415,000 13.75% "A" Preference Shares of £1 each (1998 - 415,000)	**415**	415
	28,000	28,000
Issued — equity		
200,486,541 Ordinary Shares of 10p each (1998 - 200,477,504)	**20,048**	20,047
Issued — non-equity		
756,000 13.75% Cumulative Preference Shares of £1 each (1998 - 756,000)	**756**	756
349,600 13.75% "A" Preference Shares of £1 each (1998 - 349,600)	**350**	350
	21,154	21,153

During the year ended 31 December 1999, Ordinary Shares of 10p each were issued and allotted as follows:

	£'000
9,037 shares under the terms of the save as you earn scheme for a consideration of £16,298	1
Total at 31 December 1998	21,153
Total at 31 December 1999	21,154

Details of options outstanding are shown on page 26 and in note 27.

22. Reserves

	Share premium £'000	*Revaluation* reserve £'000	*Other* reserves £'000	*Profit and* loss account £'000	Total £'000
Group					
At 1 January 1999	102,850	3,775	—	57,159	163,784
Retained profit for year	—	—	—	26,391	26,391
Share premium on issue of new Ordinary Shares	15	—	—	—	15
Goodwill written back on disposal	—	—	—	1,329	1,329
Revaluation adjustment	—	(94)	—	94	—
Revaluation surplus	—	167	—	—	167
At 31 December 1999	102,865	3,848	—	84,973	191,686
Company					
At 1 January 1999	102,850	82	19,510	61,901	184,343
Retained profit for year	—	—	—	75,781	75,781
Share premium on issue of new Ordinary Shares	15	—	—	—	15
At 31 December 1999	102,865	82	19,510	137,682	260,139

The Profit and Loss Account is the only distributable reserve.

The cumulative amount of goodwill written off against Group reserves, net of goodwill relating to undertakings disposed of, is £60,956,000 (1998 - £62,285,000).

NOTES TO THE ACCOUNTS

CONTINUED

23. Notes to Cash Flow Statement

		1999 £'000	1998 £'000
a)	*Net cash inflow from operating activities*		
	Operating profit	**65,914**	51,115
	Exceptional items	**(4,550)**	(930)
	Depreciation charges	**9,709**	6,793
	Development grant amortisation	**(13)**	(13)
	Loss/(profit) on sale of tangible fixed assets	**30**	(15)
	(Increase)/decrease in stocks	**(330)**	217
	Decrease in debtors	**356**	2,459
	Decrease in creditors	**(2,609)**	(2,666)
	Increase in unfunded pensions	**88**	–
	Net cash inflow from operating activities	**68,595**	56,960
b)	Return on investments and servicing of finance		
	Income from investments	**388**	1
	Interest received	**935**	403
	Dividend received from associated undertaking	**167**	113
	Interest paid	**(9,806)**	(6,583)
	Preference dividends paid	**(152)**	(152)
	Term debt issue costs	**(3,420)**	–
	Net cash outflow	**(11,888)**	(6,218)
c)	Taxation		
	UK corporation tax paid	**(19,226)**	(11,041)
	Net cash outflow	**(19,226)**	(11,041)
d)	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	**(9,892)**	(9,378)
	Sale of tangible fixed assets	**866**	1,454
	Sale of listed investment	**–**	2,140
	Net cash outflow	**(9,026)**	(5,784)
e)	Acquisitions and disposals		
	Purchase of subsidiary undertakings	**(208,941)**	(12,663)
	Net cash acquired with subsidiary undertakings	**59,245**	2,540
	Sale of subsidiary undertakings	**(163)**	–
	Net overdraft of subsidiaries sold	**1,739**	–
	Net cash outflow	**(148,120)**	*(10,123)*

	1999 £'000	1998 £'000
f) Financing		
Proceeds from issue of ordinary share capital	**16**	43
Loan stock repaid	**(570)**	(598)
Loans repaid	**(137,000)**	*(18,000)*
New loans	**267,380**	–
Finance leases	**(65)**	(5)
Net cash inflow/(outflow)	**129,761**	(18,560)

Companies acquired in the year contributed £8,138,000 to the Group's net operating cash flows, received £671,000 in respect in respect of net returns on investment and servicing of finance, paid £1,350,000 in taxation and paid £562,000 for capital expenditure.

The Company sold in the year had an impact on the Group's cash flow as follows:

	1999 £'000	*1998 £'000*
Net operating cash flow	**161**	1,108
Taxation	**–**	(299)
Capital expenditure	**(36)**	(141)

g) Analysis and reconciliation of net debt

	1 January 1999 £'000	Cash flow £'000	Acquisition £'000	Other non-cash changes £'000	31 December 1999 £'000
Cash at bank and in hand	9,044	2,809	–	–	11,853
Overdrafts	(70)	70	–	–	–
	8,974	2,879	–	–	11,853
Bank loans	(77,000)	(130,380)	(5,141)	–	(212,521)
Loan stock	(911)	570	–	(64,829)	(65,170)
Finance leases	(58)	65	(174)	–	(167)
Term debt issue costs	221	3,420	–	(646)	2,995
Net debt	(68,774)	(123,446)	(5,315)	(65,475)	(263,010)

The other non-cash changes of £64,829,000 relate to the Loan Stock issued as part of the consideration for the acquisitions in the year.

Of the £11,853,000 cash at bank and in hand, £2,974,000 is held on deposit to guarantee the 1999/2006 Loan Stock interest for one year.

	1999 £'000	1998 £'000
Increase/(decrease) in cash in the year	**2,879**	(1,081)
Issue of debt and movement in lease financing	**(126,325)**	18,603
Change in net debt resulting from cash flows	**(123,446)**	17,522
Loan stock issued	**(64,829)**	–
Amortisation of term debt issue costs	**(646)**	(71)
Bank loans acquired with subsidiary	**(5,141)**	–
Finance leases acquired with subsidiary	**(174)**	(58)
Movement in net debt in year	**(194,236)**	17,393
Net debt at 1 January 1999	**(68,774)**	(86,167)
Net debt at 31 December 1999	**(263,010)**	(68,774)

NOTES TO THE ACCOUNTS

CONTINUED

24. Guarantees and Other Financial Commitments

a) Lease commitments

The Group has entered into non-cancellable operating leases in respect of plant and machinery, the payments for which extend over a period of years. The total annual rental for 1999 was £861,000 (1998 - £1,075,000). In addition, the Group leases certain land and buildings on short-term and long-term operating leases. The annual rental on these leases was £1,860,000 (1998 - £1,791,000). The rents payable under property leases are subject to renegotiation at various intervals specified in the leases. The Group pays insurance, maintenance and repairs of these properties.

	Group		Company	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
The minimum annual rentals under the foregoing leases are as follows:				
Plant — expiring				
Within one year	**131**	165	**—**	—
Within two to five years	**181**	436	**—**	1
More than five years	**57**	24	**—**	—
	369	625	**—**	1
Land and buildings — expiring				
Within one year	**26**	37	**6**	34
Within two to five years	**274**	502	**—**	—
More than five years	**1,344**	1,199	**—**	—
	1,644	1,738	**6**	34
b) Capital commitments				
Contracted for but not provided	**11,574**	428	**—**	—

c) Bank guarantees

All companies in the Group have granted a debenture, bond and floating charge, unlimited inter-company guarantee and letter of set-off to the Group's bankers.

25. Pension Schemes

The Group operates a number of pension schemes providing benefits based on final pensionable salary. 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 triennial valuations using the projected unit method.

	Portsmouth & Sunderland pension schemes	Other Johnston pension schemes
Most recent valuation	6 April 1999	6 April 1998
Assumed investment return	*6.5% - 7.5%*	*7.75%*
Assumed growth in dividends	—	5.0%
Salary increase at	5%	5.5%
Market value of scheme assets	£56,882,000	£58,766,680
Actuarial value of assets to accrued benefit	94%	109%
Contribution ranges:		
Employee	5.5%	0% - 8%
Employer	7.5%	4% - 35%

On the Portsmouth & Sunderland Pension Scheme, no assumption is required for growth in equity dividends, as the Plan's assets were taken at market value of £56,882,000. The result of the valuation on this basis imply a company contribution rate of 7.5% of pensionable salaries. However on acquisition the Group has made a provision of £3 million in its Balance Sheet for pension plan liabilities. As a result the pension expense is reduced to 5.7% of pensionable salaries. At 6 April 1999, the Plan's funding level on a Statutory Minimum Funding requirement basis was 97%. Contributions to the Plan will be set to increase this funding level to 100% within the statutory timescale.

The pension cost charged in the Profit and Loss Account which combines both defined benefit and defined contribution schemes was as follows:

	1999 **£'000**	1998 £'000
Charged in accounts	**3,906**	4,176
Actual contributions paid	**3,977**	4,062
	71	(114)

Cumulative excesses of £1,743,000 (1998 - £1,722,000) are included within prepayments. £Nil (1998 - £85,000) is included in accruals arising *from certain pension schemes having had contribution holidays.*

NOTES TO THE ACCOUNTS

CONTINUED

26. Related Party Transactions

The Group undertook transactions, all of which were on arms length basis, and had balances outstanding at 31 December 1999 with related parties as shown below:

Related party	Purchases £'000	Creditors £'000	Sales £'000	Debtors £'000
Emcliffe Ltd	292	11	130	61
Classified Periodicals Ltd	52	13	52	10
Free Admart Ltd	43	20	–	–
MacRoberts	72	32	–	–

Emcliffe Ltd and Classified Periodicals Ltd are associated undertakings of Johnston Press plc, which re-publish in a separate publication, classified advertisements which appear in the Group's titles and those of certain other publishers. Free Admart Ltd publishes a separate title in conjunction with other newspaper publishers. The Group provides certain administrative, distribution and production services to Emcliffe Ltd and Classified Periodicals Ltd and is charged by all associated undertakings for advertisements placed.

Mr I Dickson, a Non-Executive Director of the Company, is a partner in MacRoberts, the Company's solicitors.

27. Employee Share Schemes

Executive Share Option Scheme

The number of options over ordinary shares granted to employees under the Executive Share Option Scheme are as follows:

Date of Grant	Exerciseable between	Option Price	Number of Ordinary Shares
04.06.93	04.06.96 and 04.06.03	134.75p	70,000
15.07.97	15.07.00 and 15.07.07	172.50p	214,488
12.10.98	12.10.01 and 11.10.08	150.50p	308,953
10.5.99	10.05.02 and 09.05.09	282.50p	146,812
07.09.99	07.09.02 and 06.09.09	302.00p	9,933

The options granted to Executive Directors and details of share prices in 1999 are shown on page 26.

Group Savings - Related Share Option Scheme

The Company operates a Group savings-related share option scheme. This has been approved by the Inland Revenue and is based on eligible employees being granted options and their agreeing to save weekly or monthly in a sharesave account with Halifax plc for a period of either 3, 5 or 7 years. The right to exercise is at the discretion of the employee within six months following the end of the period of saving.

Options under this scheme at 31 December 1999 to employees are made up as follows:

Option Grant Date	Number of Shares	Issue price per Share
15.07.97	1,532,265	180p
02.10.98	765,910	186p
29.09.99	602,101	309p

The above options were issued to employees at a price equivalent to the average mid-market price for the 30 days prior to 7 July 1997, 10 September 1998 and 6 September 1999.

GROUP PROFIT AND LOSS ACCOUNT HALF YEARLY SUMMARY

Year to 31 December 1999	6 months to December £'000	6 months to June £'000	**Year £'000**
Turnover			
Existing operations	101,860	100,437	**202,297**
Acquisitions	37,576	–	**37,576**
Discontinued	–	2,691	**2,691**
Total turnover	139,436	103,128	**242,564**
Operating profit			
Existing operations	*27,369*	29,245	**56,614**
Acquisitions	9,193	–	**9,193**
Discontinued	–	107	**107**
Total operating profit	36,562	29,352	**65,914**
Share of profits of associated undertaking	187	123	**310**
Profit on ordinary activities before interest and exceptional items	36,749	29,475	**66,224**
Exceptional items	(4,481)	(749)	**(5,230)**
Profit on ordinary activities before interest and taxation	32,268	28,726	**60,994**
Net interest	(8,285)	(2,875)	**(11,160)**
Profit on ordinary activities before taxation	23,983	25,851	**49,834**
Taxation on profit on ordinary activities	(7,165)	(8,107)	**(15,272)**
Profit on ordinary activities after taxation	16,818	17,744	**34,562**
Dividends	(5,589)	(2,582)	**(8,171)**
Retained profit for year	11,229	15,162	**26,391**

The six month period to December represents 27 weeks trading.

The period to June was 26 weeks.

FIVE YEAR SUMMARY

	1995 £'000	1996 £'000	1997 £'000	1998 £'000	**1999 £'000**
Profit and Loss Account					
Turnover	102,438	165,039	211,962	201,732	**242,564**
Operating profit on ordinary activities	17,508	28,664	45,613	51,115	**65,914**
Share of profits of associates	—	64	195	242	**310**
Exceptional items	(859)	533	(3,562)	686	**(5,230)**
Profit before interest and taxation	16,649	29,261	42,246	52,043	**60,994**
Net interest receivable/(payable)	187	(5,124)	(7,661)	(6,155)	**(11,160)**
Profit before taxation	*16,836*	*24,137*	*34,585*	*45,888*	**49,834**
Taxation	(5,453)	(7,366)	(10,420)	(14,270)	**(15,272)**
Profit after taxation	11,383	16,771	24,165	31,618	**34,562**
Dividends	(3,158)	(5,060)	(6,168)	(7,169)	**(8,171)**
Retained profit for year	8,225	11,711	17,997	24,449	**26,391**
Statistics					
Basic earnings per share	8.01p	10.20p	11.98p	15.70p	**17.16p**
Headline earnings per share	8.42p	9.76p	13.09p	15.73p	**19.20p**
Operating profit to turnover	*17.1%*	*17.4%*	*21.5%*	*25.3%*	**27.2%**
Balance Sheet					
Intangible fixed assets	14,867	206,346	206,346	217,357	**403,440**
Tangible fixed assets	28,602	44,537	46,969	48,009	**91,846**
Investments	595	638	818	378	**1,821**
	44,064	251,521	254,133	265,744	**497,107**
Net current assets/(liabilities)	13,157	4,002	(8,368)	(13,144)	**(17,671)**
	57,221	255,523	245,765	252,600	**479,436**
Creditors due after one year	*(20,396)*	*(108,439)*	*(82,935)*	*(64,258)*	**(260,790)**
Provisions	(2,817)	(3,857)	(2,385)	(3,405)	**(5,806)**
Net Assets	34,008	143,227	160,445	184,937	**212,840**
Shareholders' Funds					
Ordinary Shares	13,353	20,031	20,044	20,047	**20,048**
Preference Shares	1,106	1,106	1,106	1,106	**1,106**
Reserves	19,549	122,090	139,295	163,784	**191,686**
Capital Employed	34,008	143,227	160,445	184,937	**212,840**

The 1999 year represents a 53 week period.

NOTICE OF MEETING

Notice is hereby given that the seventy-first Annual General Meeting of the Company will be held at 53 Manor Place, Edinburgh on 28 April 2000 at 11 am to transact the following business of the Company:

1. *To receive the Accounts for the year ended 31 December 1999 and the reports of the Directors and Auditors thereon.*

2. To declare a dividend.

3. To re-elect Lord Gordon of Strathblane and Mr F P M Johnston as Directors of the Company.

4. To re-appoint Arthur Andersen, Chartered Accountants and Registered Auditors, as auditors of the Company and to authorise the Directors to fix their remuneration.

As special business to consider and, if thought fit, pass the following Resolutions of which numbers 5 and 6 will be proposed as Ordinary Resolutions and number 7 will be proposed as a Special Resolution:-

Ordinary Resolutions

5. That the Johnston Press plc All-Employee Share Plan ('the Plan'), the main features of which are summarised on pages 2 and 3 of the Circular to shareholders dated 20 March 2000 and a copy of the draft rules of which are produced to this meeting and signed by the Chairman for the purposes of identification, be and the same is hereby approved and the Board of Directors are hereby authorised to do all such acts and things as may be necessary or desirable to carry the same into effect, including making such amendments as may be necessary or desirable to take account of changes to the proposed legislation prior to Royal Assent being given to the Finance Bill 2000, to obtain the approval of the Inland Revenue and/or such other approvals as the Board of Directors may consider necessary or desirable, and to establish separate versions of the Plan for individual employing companies if this should be considered appropriate.

6. That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot relevant securities (as defined for the purpose of that section) up to a maximum nominal amount of £6,682,885. This authority shall expire on 28 April 2005 save that the Company may, before this authority expires, make an offer or agreement which would or might require relevant securities to be allotted after it expires. All previous general authorities under Section 80 of the Act shall cease to have effect.

Special Resolution

7. That, subject to the passing of Resolution 6 set out in the notice of this meeting, the Directors be and are hereby empowered pursuant to the provisions of Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority granted by that Resolution for cash, as if sub-section (1) of Section 89 of the Act did not apply to any such allotment provided that this power shall be limited:

   (i) to the allotment of such equity securities in connection with a rights issue in favour of Ordinary Shareholders where the equity securities respectively attributable to the interests of all Ordinary Shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body in, any territory; and

   (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £1,002,432.

   This power shall expire, unless previously revoked or varied, on the date of the Annual General Meeting of the Company held in 2001 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

P R Cooper, ACA
Secretary
53 Manor Place
Edinburgh EH3 7EG
20 March 2000

NOTICE OF MEETING

CONTINUED

Notes

A In accordance with the Articles of Association, only holders of Ordinary Shares of the Company are entitled to attend and vote at the Meeting.

B An Ordinary Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

C A form of proxy is enclosed for Ordinary Shareholders which, to be valid, must be completed in accordance with the instructions printed thereon and be lodged with the Company's Registrars not later than 48 hours before the time of the Meeting.

D The Register of Directors' interests in the share capital of the Company maintained under section 325 of the Companies Act 1985, will be available for reference at the place of the Meeting from 10.30 am until its conclusion.

E Copies of all Directors' Service Contracts of more than one year's duration will be available for inspection at the Registered Office of the Company during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this Notice until the date of the Meeting and on that date at the place of the Meeting from 10.30 am until its conclusion.

F Copies of the draft rules of the Johnston Press plc All-Employee Share Plan will be available for inspection at the Registered Office of the Company and at the offices of New Bridge Street Consultants, 20 Little Britain, London EC1A 7DH during normal working hours on any week day (Saturdays and public holidays excepted) up to and including the date of the Meeting and on that date at the place of the meeting from 10.30 am until its conclusion.

JOHNSTON PRESS PLC
FORM OF PROXY FOR ANNUAL GENERAL MEETING ON FRIDAY 28 APRIL 2000

I/We ____
(Block capitals)

of ____

being (a) member(s) of Johnston Press plc hereby appoint the Chairman of the meeting*

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 28 April 2000 and at every adjournment thereof.

My/our proxy is to vote as indicated in respect of the following resolutions:

	For	*Against*
1. The adoption of the accounts and of the Directors' and *Auditors' Reports thereon*	☐	☐
2. The declaration of the dividend	☐	☐
3. The re-election of Directors as follows:		
(a) Lord Gordon of Strathblane	☐	☐
(b) Mr F P M Johnston	☐	☐
4. (a) The reappointment of Auditors	☐	☐
(b) To authorise the Directors to fix the Auditors' remuneration	☐	☐
5. Ordinary Resolution	☐	☐
6. Ordinary Resolution	☐	☐
7. Special Resolution	☐	☐

Signature(s) ______________ Dated this ______________ day of ______________ 2000

Please indicate with an 'X' in the appropriate box how you wish to vote. Unless otherwise instructed the proxy will vote, or abstain from voting, at his discretion.

Notes:

1. *To be valid, this proxy, together with any power of attorney or the authority under which it is signed or a notarially certified copy thereof,* must reach the Company's Registrars, Computershare Services plc, P.O. Box 457, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 0XG at least 48 hours before the meeting.

2. Appointments by corporations must be under the common seal or under the hand of an officer authorised in writing.

3. In the case of joint holders the signature of any one joint holder is sufficient.

*4. Should a member wish to nominate any other person strike out "the Chairman of the Meeting" and insert the name of the alternative proxy which need not be a member of the Company.

5. Completion of this proxy will not prevent members from attending and voting at the Meeting if subsequently they find that they are able to do so.

Second fold

BUSINESS REPLY SERVICE
Licence No. EH 59

1

Computershare Services plc
P.O. Box 457
Owen House
8 Bankhead Crossway North
EDINBURGH
EH11 0XG

First fold

Third fold and tuck in