JohnstonPress plc

BIGGER AUDIENCE
WITH A BETTER FOCUS

ANNUAL REPORT AND ACCOUNTS 2016

Johnston Press is a leading multimedia business with a vibrant mix of news brands that reach national, regional and local audiences. We provide news, information and marketing services to local and regional communities and businesses through our extensive portfolio of hundreds of publications and websites.

Award-winning photographer Simon Hulme captures the vibrancy of the Leeds West Indian Carnival. Yorkshire Evening Post

22.5m

Unique Users (average monthly audience) 15.4% year-on-year increase[1]

15.3m

Average total monthly print audience (including the i from acquisition in April 2016)[3]

60%

Growth in followers on Facebook through 2016, to two million followers[2]

91.1m

Page views (average monthly audience) 4.6% year-on-year increase[1]

191.6m

Print copies distributed[4]

The Bramley Mermaid – Lucy Meredith celebrates Yorkshire Aquatic Life at Bramley Baths in Leeds. Simon Hulme. Yorkshire Evening Post

1 Source: IBM analytics (Digital). Internal Johnston Press analytics tools.
2 Source: Crowdtangle Analytics. Facebook Leaderboard, growth reported for period 1 January 2016 to 31 December 2016.
3 Source: Matrix (Print). Internal Johnston Press analytics tools. Includes the i newspaper average monthly sales for period 10 April 2016 to 31 December 2016.
4 Nationally we sold 161m paid for copies (including the i) and distributed 30.6m free copies. a 10.0% year-on-year decrease. Includes i newspaper circulation from April to December 2016.

2016 Statutory and Adjusted Results

The statutory results are for the continuing Group, which exclude the disposed of Isle of Man business. The prior year statutory results have been restated to exclude discontinued operations. Continuing statutory results include the i from acquisition date, closed titles and businesses, exceptional items and mark-to-market gains on the Group's bond. The adjusted figures reflect the 'underlying' business, and are presented after removing the financial impact of a number of significant accounting and operational items. A reconciliation of the statutory to adjusted figures is provided below, within the Financial Review and within the statutory to adjusted reconciliation on page 133.

KEY
☐ Statutory ☐ Adjusted

Total revenue
£222.7m
2015: £242.1m

Adjusted EBITDA
49.1m
2015: £56.0m

Print advertising revenue
£95.7m
2015: £117.6m

Statutory operating (loss)/profit
£(323.1)m
2015: £0.3m

Adjusted operating profit
£42.1m
2015: £49.3m

Newspaper sales revenue
£79.9m
2015: £72.0m

Pension deficit
£67.7m
2015: £27.0m

Adjusted operating margin
19.0%
2015: 20.9%

Digital advertising revenue
£27.0m
2015: £31.4m

Digital % of total revenue
12.1%
2015: 13.0%

Net debt (excluding mark-to-market)
£203.9m
2015: £174.4m

Reconciliation of statutory to adjusted results[1]	Full year 2016 £m	Full year 2015 £m
Statutory operating (loss)/profit	**(323.1)**	0.3
Adjustments		
Closure of titles/digital products	**0.2**	(0.6)
Restructuring costs	**9.3**	9.4
Impairment on publishing titles, print presses and property assets	**344.3**	35.2
Other	**10.9**	3.3
Accelerated depreciation	***0.5***	1.7
Adjusted operating profit	**42.1**	49.3
Depreciation and amortisation	**7.0**	6.7
Adjusted EBITDA	**49.1**	56.0

[1] A reconciliation of the statutory to adjusted figures is provided within the Financial Review on page 24 and the statutory to adjusted reconciliation on page 133.

At a Glance

Excellent circulation performance of the i has helped to partially offset challenging trading conditions while The Scotsman, The Yorkshire Post and News Letter have shown improving trends for our national portfolio.

Investment in our digital platforms and ongoing focus on costs has helped to ensure strong margins and solid progress against strategic priorities.

OUR INTEGRATED PORTFOLIO

Print

The Group's print portfolio consists of 204 titles[1] (including editions), 173 paid for newspapers (including 14 daily titles), 21 free newspapers and 10 magazines.

As part of a planned rationalisation of its portfolio, the Group sold 16 titles[2] and discontinued a further 15 titles through ceasing production or merging with a stronger title.

Digital

The Group has 161 news brand websites[3], 17 other websites and 40 apps. Many of our news brands also have both Twitter and Facebook sites.

inews.co.uk was launched following the acquisition of the i.

Newspaper circulation audience

191.6m

Nationally we sold 161m paid for copies (including the i) and distributed 30.6m free copies[4]

-10.0% year-on-year

Digital audience

22.5m

Unique users (average monthly audience)

+15.4% year-on-year

1 Excludes 13 titles sold to Iliffe Media Limited in January 2017.
2 13 titles were sold to Iliffe Media Limited in January 2017 and three titles were sold to Tindle Newspaper Limited in August 2016.
3 Excludes 12 news brand websites sold to Iliffe Media Limited in January 2017.
4 Includes the i newspaper circulation from April to December 2016.

Case Study

PRINT DIVISION

We remain one of the leading newspaper printers in the UK, with presses in Dinnington, Portsmouth and Carn, servicing many of our own titles and other national and regional publishers.

Our printing services division is now printing around 7.4 million newspapers every week. Contract printing now makes up 58% of the work carried out across the sites and despite a rise of up to 10% in paper costs because of currency changes following the EU Referendum, the business delivered a 1.3% increase in revenues in 2016.

The business secured two significant new contracts in 2016. The first, in October, was a 12-month rolling contract to print copies of the Metro at the Portsmouth Web. The contract with Associated Newspaper Limited (ANL) sees us print 85,000 copies of the 56-page Metro newspaper, five nights a week from Monday to Friday.

We were also delighted to announce that we have entered an agreement with ANL to print the Monday to Saturday issues of the Daily Mail newspaper, also at our *Portsmouth Web facility in Hampshire* and serving the South West.

The multi-million pound contract spans a five-year period and ANL will have the option to extend the term after those five years.

The contract wins are testament to the efforts of the 160-strong workforce across the three sites, who are able to deliver such prestigious titles against strong competition.

The Dinnington (Sheffield) site prints the national titles the Daily Express and Sunday Express, the Daily Star and Daily Star Sunday as well as the Metro. In addition, they print a number of commercial weeklies and niche publications, such as Motor Sports News, Racing Ahead, alongside our own titles The Yorkshire Post, Yorkshire Evening Press, Sheffield Star, Sunderland Echo, Shields Gazette, Hartlepool Mail and a number of our weeklies.

In Portsmouth, the Daily Mail rolls off our presses six days a week alongside a large number of Trinity Mirror (Local World) and Tindle Newspapers titles.

And in Carn (Northern Ireland), we print Irish editions of the Guardian, Observer, *Ulster Times and The Times (ROI editions)*, plus Iconic Newspaper-owned weeklies and some niche publications alongside the News Letter and Johnston Press-owned weeklies.

Chairman's Statement

Profound change in our business

2016 saw further profound change in our business and we have again faced the combined headwinds of further structural change in our industry and significant economic and market setbacks – not least the impact of the run up to and aftermath of June's referendum on the UK's membership of the European Union.

The management team remained focused on improving the performance of the business within its control, but in particular the third quarter saw a significant downturn in advertising activity, especially in the recruitment and property market, and a distinct improvement in quarter four.

The Group reported a statutory operating loss of £323.1 million in the period, which included a £344.3 million impairment charge on certain assets. £223.9 million of the impairment charge was taken at the interim, with a further write-down of £120.4 million taken at the year-end. The write-down on publishing titles and print assets reflects the current trading performance of the Group and further explanation is provided in the Financial Review. Excluding the impairment charge in the period and other adjusting items (as discussed in the statutory to adjusted reconciliation on page 133), the Group reported an adjusted operating profit of £42.1 million, and adjusted EBITDA of £49.1 million, in the period.

During the year we have undertaken a number of initiatives in order to enable the business to adjust to the continued downward pressure on print advertising revenues. Our sales teams have been reorganised and retrained to better equip them for the commercial environment in which we now operate and we have sought to reset our digital offering across a range of fields (including, for instance, discontinuing lower margin digital offerings). We have made important changes to the Group's portfolio of titles and our newspaper printing business has also had a successful year with several significant contract tender wins.

Strategy

The management team has been focused on pursuing its key strategic aims: growing the overall audience, executing on an ever more efficient editorial and sales operation, maintaining liquidity and managing our obligations to our stakeholders including bondholders and pensioners, and since its acquisition, driving the success of the i newspaper.

Growth of audiences and revenues in our digital business remain a key longer-term objective. Following four years of double-digit growth in digital revenues, 2016 enjoyed some successes, but saw a dip in revenues in the year, driven by a downturn in some of our larger digital revenue categories (particularly employment revenues from small & medium sized businesses (SMEs) reflecting economic uncertainty around the EU referendum). Encouragingly, the digital revenue trend improved in the fourth quarter and, thus far, digital audience figures in 2017 have improved year-on-year growth.

On 12 February 2016, we announced the proposed acquisition of the i newspaper, which was completed in April (the consideration represents a 4.6x multiple of the i's 2015 full year "carve out" operating profit for 2015 of £5.2 million). The acquisition has provided the Group with significantly increased scale, a national footprint and added a major brand to its portfolio. The i newspaper has grown both its circulation and market share in the period since acquisition which has also seen the launch of its dedicated website. The paper presents us with a significant opportunity to grow our national advertising revenues. Further details of the success of the i newspaper and the collaboration between it and our other titles are explained in the Chief Executive Officer's Report.

The drive for a more efficient sales operation in 2016 saw the sales team restructured and a consistent sales approach applied across the Group. The team is using Salesforce.com to support the sale of creative, native and targeted digital and print advertising solutions.

The relentless cost cutting programme saved over £26 million during 2016, and now totals some £100 million since 2012, ensuring we maintained strong margins despite severe revenue pressures.

Finally, to strengthen the balance sheet, we sold three titles on the Isle of Man to Tindle Newspapers Limited last August, and in December we announced the disposal of 13 titles in the East Midlands and East Anglia to Iliffe Media Limited. That sale was completed in January 2017, on a multiple of 4.6x EBITDA, reducing net debt and increasing our liquidity. It also enabled the Group to cancel its revolving credit facility. Although we have no current plans for further significant disposals we will continue to monitor opportunities presented by the market.

We have recently commenced a strategic review of our financing options in relation to the £220 million 8.625% senior secured notes which becomes due on 1 June 2019. The Board is being advised by Rothschild & Co. and Ashurst LLP.

As part of this review process, the Board is engaging with its major stakeholders whose views will be taken into consideration.

Dividend

The provisions of our bonds restrict the Company's ability to pay ordinary dividends until certain conditions are met. No ordinary dividend is proposed for the year. Preference dividends have been accrued but due to the lack of distributable reserves within the Company are unable to be paid.

Industry issues

As members of the Independent Press Standards Organisation (IPSO), we are at the forefront of our industry's opposition to the proposed introduction of s.40 of the Crime and Courts Act 2013. If enabled, this could operate to make newspaper publishers who are not members of a statutorily approved body liable for the costs of dealing with complaints against them - even where those complaints are dismissed or shown to have no merit. It is no exaggeration to say that such a measure would threaten the very existence of many titles, and the requirement to sign up to a state-approved regulator to avoid that risk serves to undermine the very nature of the free press in the United Kingdom. With Ashley Highfield as Chairman of the News Media Association (NMA), Johnston Press has also played a leading role in the negotiations between the NMA and the BBC in working though the details of a ground-breaking agreement that will see 150 journalists employed to cover local democracy reporting. Recruitment will start mid-2017, with the process due to be completed in early 2018. The agreement between the NMA and BBC will also see the establishment of a new data journalism unit serving the local news industry and the release of BBC videos on local news provider websites.

Board

2016 saw significant change in the make-up, not only of the Group, but also of our Board and I would like to thank my Board colleagues for their work throughout the year. We announced early last year that Stephen van Rooyen would step down at the 2016 AGM. Mark Pain subsequently also stepped down at the end of August.

I would like to record my thanks to Ian Russell, our previous Chairman. Ian stepped down at the end of the year as a result of an acute illness in his family. His wise advice and tireless hard work on behalf of the Company since becoming Chairman in 2009 (having joined the Board in 2007) have been invaluable to the Board. We wish him and his family well for the future.

In addition to the Board's gratitude to Ian and Stephen, I would like to thank Mark for his service since 2009 on our Board and, in particular, for his Chairmanship of the Audit Committee from 2010.

We were very pleased to welcome Mike Butterworth to the Board in June. Mike, a Non-Executive Director and Chairman of the audit committees at St Ives plc, Cambian Group plc and Stock Spirits Group plc, is a former Chief Financial Officer of several listed companies and has succeeded Mark Pain as Chairman of our Audit Committee. Mike is also undertaking the role of Senior Independent Director on an interim basis until a new Chairman is recruited.

Ralph Marshall will step down from the Board at the forthcoming Annual General Meeting. Ralph was appointed to the Board as a representative of Usaha Tegas which owns 10.63% of the Company's ordinary share capital and has served on the Board since 2008. The terms of the shareholder's agreement under which Ralph was appointed to the Board allow for a successor to be appointed. We are in discussions with Usaha Tegas regarding the identity of their new nominee and expect to make an announcement shortly in respect of this. I would like to take the opportunity to thank Ralph for his work on our behalf over the past nine years.

In considering candidates to fill Board vacancies, the Nomination Committee has regard to the benefits of, and the need to encourage, diversity (including gender) within the Board's membership and this is a specific consideration of the recruitment process and is included in the Committee's terms of reference. The Board has adopted a written diversity policy for this purpose.

The Board regularly reviews both the balance of its membership and the issues it considers when it meets. The agenda for the Board's meetings continue to be structured in such a way as to scrutinise both strategic and operational matters and the meetings are held in an atmosphere of constructive challenge and debate. I am satisfied that the Board remains effective.

Employees

The valued and tireless work of our management and employees in 2016 was again an enormous factor in the progress we made. During a period of significant and ongoing change our staff have repeatedly adapted to the evolving industry and market we are experiencing. Their professionalism has been outstanding and, on behalf of the Board, I wish to thank them for their efforts and their contribution.

Outlook

Overall, current trading, including both the i and the regional portfolio, is in line with management expectations.

Camilla Rhodes

Camilla Rhodes
Interim Chairman

Chief Executive Officer's Report

Significant progress against strategic objectives

We made significant progress against our strategic objectives in 2016, despite the challenges we faced in our industry, particularly in the wake of the EU Referendum in June.

Our primary focus throughout the year continued to be progress towards returning the business to revenue growth and we believe the strides made during 2016 have put us on a much firmer footing to achieve this, evidenced through improving average order value in our advertising business, and our media sales centre (MSC) transactional (telesales) revenue now in growth, following the transferring of 21,000 accounts from the field. Our contract print division also returned to year-on-year growth.

The acquisition of the i has been a success in both audience and revenue numbers. Overall audience numbers have improved, driven by both digital and improving trends in print circulation. Its success has helped it to garner a number of nominations in prestigious industry awards. The acquisition of the i has helped our overall print circulation revenue return to growth.

Revenue trends deteriorated during 2016 and remained challenging for much of the year, particularly around the EU referendum, the resulting uncertainty affecting business confidence within the small and medium enterprise (SME) community, our primary advertising base. Despite a subsequent improvement in economic confidence, further structural changes to advertisers' behaviour, especially the shift to Facebook, has led to a slow recovery for print advertising. Nevertheless the Company has again successfully taken action to address its cost base and to protect profit margins.

The uncertainty advertisers faced in 2016 is reflected in our results for the year. Statutory total revenues were down 8% from £242.1 million in 2016, to £222.7 million. Total statutory advertising revenue (combined print and digital) declined by 17.7% to £122.6 million. Statutory print advertising was down 18.6% from £117.6 million to £95.7 million. Statutory newspaper sales revenue, grew by 11% from £72.0 million to £79.9 million, including the i from the date of acquisition, while adjusted digital revenues (excluding classified) improved fractionally by 1.1%. More information on the Adjusted items can be found in the Financial Review section of this report and the Reconciliation of Statutory to Adjusted items on page 133.

The Group once more successfully delivered a further significant cost management programme with adjusted operating costs (including depreciation and amortisation) reducing to £179.4 million from £186.4 million in 2015. Adjusting for the impact of the i acquisition, cost savings of £26 million were made during the year. This was achieved while still effecting targeted investments in key strategic areas and including the i acquisition costs of some £1.8 million. Adjusted operating costs exclude the impairment charge of £344 million that was written-off the carrying value of certain assets including the publishing titles and print assets (refer to the Financial Review on page 24 for further detail).

Adjusted operating profit was £42.1 million, a £7.2 million decrease on the prior year, and adjusted EBITDA of £49.1 million was achieved in 2016, compared to £56.0 million in 2015. As a result of the cost management programme noted above, the Group maintained a strong operating margin, decreasing slightly from 20.9% to 19.0% year-on-year.

Adjusted basic earnings per share, was 16.7 pence, compared to 22.9 pence in 2015 (refer to the Financial Review on page 24 for further detail).

Net debt, excluding bond mark-to-market, was £203.9 million, compared to £179.4 million at the end of 2015, largely reflecting the cost of acquiring the i. Subsequent to the year-end we received £17.0m from the sale of publishing titles and websites to Iliffe Media Limited. A reconciliation of statutory net debt to net debt excluding mark-to-market is provided in the Financial Review.

Highlights in 2016

Acquisition of the i newspaper

The acquisition of the i newspaper in April has been transformational for the business, significantly strengthening the Johnston Press portfolio. It has been, as anticipated, earnings enhancing, boosting both circulation revenues and advertising revenues.

The i has increased its newspaper sales volumes by 5% (ABC figures excluding bulks) year-on-year, which, coupled with a 10p (25%) week-day cover price rise, has seen Q4 circulation revenues up 20% compared to the equivalent quarter in 2015. The Saturday edition of the i has performed especially well, with circulation volumes up 13% year-on-year (cumulative Saturday sales April to December 2016 vs 2015). Five nominations, in various categories, at this year's Society of Editors' Press Awards, as well as a number of nominations in the British Media Awards and News Awards, are testament to the regard with which the i newspaper is now held by industry peers.

These strong sales are attributed to a combination of the closure of the Independent newspaper, the investment in creating a dedicated i newspaper editorial team, strong and independent editorial leadership, improved distribution and the reintroduction of the title into Northern Ireland.

Being part of the wider Johnston Press Group has also brought a number of benefits: content sharing, improved distribution efficiency taking advantage of the Group's infrastructure and the use of the weekly newspaper portfolio of regional brands to provide a low-cost approach to increasing public awareness of the i.

We also invested in the launch of a new website - inews.co.uk - which, in its first nine months, went from zero to achieving an average of 1.4 million unique users a month during the fourth quarter and surpassing 1.9 million unique users[1] in November. Its clean, modern interface and unique content is resonating clearly with readers. The inews.co.uk website was nominated for website of the year at the British Press awards, and news website of the year at the 2017 News Awards.

The number of advertising brands in the i increased from 68 to 128 from July 2016 to February 2017[2], the highest since acquisition and we have been delighted to see brands including Porsche, FedEx and Debenhams advertise in the title for the first time.

Since the acquisition, a number of inherited contracts have been renegotiated, reducing costs by over £1 million per annum. Further cost reductions are expected as contracts come up for renewal.

Having acquired the i for £24 million (a 4.6x historic operating profit multiple) the Group expects to see the full year benefits of circulation improvement, improved advertising trends since the transition period post-acquisition and cost reduction actions taken, to deliver a continuing improvement in performance from the i in 2017.

Focusing the portfolio

A key part of our ongoing business transformation is to focus on and invest in titles which afford us the best opportunity for growth through audiences and/or geography and we realised two divestment opportunities during 2016. The cash from disposals reduced net debt whilst also providing the business with liquidity, enabling the Group to cancel its revolving credit facility.

First, we sold three titles (and associated assets) in the Isle of Man to Tindle Newspapers Ltd for £4.25 million and, in December, we announced the proposed sale of 13 publishing titles and associated websites in the East Anglia and East Midlands for £17 million to Iliffe Media Limited, with the deal concluding in January 2017.

Second, we introduced a new publishing strategy as we increased our focus on markets that can offer the greatest growth potential, such as those in our 'Big Cities' initiative (Leeds, Sheffield and Edinburgh) and digital growth towns. The aim of introducing one consistent and relevant content plan across the key city titles, increasing story count, sharpening focus on social media and campaigning with passion is to drive audience growth and we are seeing some signs of improving circulations trends across these titles.

Chief Executive Officer's Report continued

A particular editorial highlight of 2016 was the successful launch of our investigations unit, a team of journalists from across the portfolio tasked with carrying out investigations into stories that are important nationally but which have local relevance. The first investigation, which uncovered the scandal of low sentences for dangerous drivers, has led to a Government review. This is addressed in the case study on page 23.

Our printing services delivered a 1.3% increase in revenues in 2016. The business secured two significant new contracts in 2016. The first, in October, was a 12-month rolling contract to print copies of the Metro in Portsmouth. We were also delighted to announce that we have entered an agreement with Associated Newspapers Limited (ANL) to print the Monday to Saturday issues of the Daily Mail newspaper. The multi-million pound contract spans a five-year period and ANL will have the option to extend the term after those five years. Refer to case study on page 3.

Advertising

Advertising revenues were dealt a blow following the Referendum vote in June. Whilst we did see improving growth momentum towards the end of the year, it was not enough to return local display advertising to growth in 2016. In particular, the employment and property markets were under significant pressure.

Our digital business grew in the fourth quarter and both Media Sales Centre transactional revenues (telesales) and contract printing were each up 2% in 2016. The decline in circulation revenues in the existing portfolio has been offset by the strong i circulation revenues, resulting in growth in total statutory circulation revenues of 11% year-on-year. These categories make up over 50% of our total revenue.

We previously set out our ambition to completely restructure the sales teams and in July – after thorough testing – we fully launched our sales transformation programme – called Salesforce of the Future.

We transferred 21,000 of our lower value, highly infrequent transactional customers into a new team in the Media Sales Centre to allow our field-based sales teams to fully focus on the higher yield customers. A new customer acquisition team was launched, hundreds of our sales teams were trained to use Salesforce.com, fully equipped with new technology and provided with new sales material.

Digital

Unique visitors were up year-on-year by 15% and we are getting more visits than ever due to the redesign of our 173 sites, despite industry-wide shift to mobile and Facebook.

However, due largely to the EU Referendum impacting SME marketing and recruitment decisions, digital revenue (including classifieds) was down for the year. Digital revenue was significantly impacted by a very difficult market for classifieds, particularly for jobs. Excluding classifieds, digital revenue was marginally higher in 2016. The fourth quarter improved significantly over quarter three, returning the business to digital revenue growth as we exited 2016.

The launch of the We Are Digital initiative (see case study on page 22) helped to drive a huge shift towards readers finding us through Facebook, and we've enjoyed a 60% growth[3] in Facebook followers in 2016 to two million.

Commercially, we now have a modernised digital commercial product set, with new audience targeting options. We have also seen a shift of national advertising towards algorithmic, programmatic purchasing, which we have responded to with new technology to raise our yields in real time. Dropping older digital products with lower margins also depressed revenue growth in 2016.

We launched a native advertising/ sponsored content solution, creating content for customers to help them reach their customers in an integrated way on our sites. We also have continued to improve our marketing solutions products, adding a Facebook solution to help SMEs with targeted marketing to local, social users.

Current trading statement

At the time of writing in late March 2017, we have seen a continuation of the improving advertising and circulation trends we witnessed during the fourth quarter of 2016, enabling our digital business to return to revenue growth.

Refinancing

The Directors, along with the Group's advisors, are currently exploring the strategic options available to the Group in relation to its £220 million 8.625% senior secured notes which become due on 1 June 2019. This is discussed in detail in the Viability Statement on page 46.

Summary

Despite the challenging market for news publishers, including a very difficult summer, we have seen some improvement in our markets. Whilst we expect the overall market environment to remain challenging for both the Group and the industry as a whole, we remain focused on delivering on our strategic priorities of growing our overall audience, driving further success of the i, delivering a more efficient editorial and sales operation and strengthening the Company's balance sheet.

Our number one priority for 2017 is for our local display advertising revenue category (combined print and digital) to join transactional advertising via tele-sales (serviced through our media sales centre) in achieving growth.

Our continued drive to maximise operational efficiencies, which includes a relentless focus on cost management, gives us flexibility in the face of a challenging market and gives the management confidence that we can make further progress.

Finally, I want to extend my sincere thanks and appreciation to our former Chairman, Ian Russell, who stepped down from the Board at the end of December.

Ashley Highfield
Chief Executive Officer

1 Source: Internal metrics – IBM Digital Analytics.
2 Source: AdDynamics.
3 Source: Crowdtangle Analytics, Facebook Leaderboard, growth reported for period 1 January 2016 to 31 December 2016.

Market Trends

Diversifying our business

Market trends

In 2016 the Group moved from having a singular focus within the regional publishing sector to diversifying the business into the national publishing arena, following the acquisition of the i newspaper in April 2016. This change means that forward looking trends need to be viewed on a regional and national basis, especially in light of the structural changes seen over the last decade, which has seen regional publishers lose a total of £1.1bn (56%)[1] of total classified print revenues, over the past five years, to companies such as Rightmove, Autotrader and LinkedIn. National newspapers revenues have been more stable over the period[1].

UK digital advertising spend grew 12.7%[2] in 2016 and is forecast to grow 10.9%[2] in 2017, though this masks intra-category movements in spend. Desktop display advertising is forecast to decline in real terms, putting into question the race for scale at all costs. Google and Facebook continue to accelerate and are taking an ever increasing share of the SME marketing wallet through their automated self-serve platforms. The rise of concerns over "fake news", question marks over programmatic value, advertising placement context and the accuracy of measurement could help to affirm the value of our journalism and trusted place in our markets in the face of strong growth by Facebook and Google, though generally the industry will need to find ways to collaborate, rather than expect to take digital share.

The Group is now made-up of five key[3] revenue areas: Newspaper Sales (36%), Contract Printing (6%), Print advertising excluding classified (28%), Digital advertising excluding classified (8%), Classified and other advertising (19%). Following the acquisition of the i newspaper, the Group has moved to a more diversified revenue mix with both newspaper sales and contract printing (42%) showing growth on prior year in absolute terms. The change of revenue mix meets a strategic objective[4] outlined by the company to help mitigate against on-going uncertainty in the advertising sector as a whole.

National (The i newspaper)

It is expected that national print display advertising across the industry will have contracted by a further 12.5% in 2016[5], off-set by 2.1% increase in digital display, leading to a total decline of 9.8%, due to less exposure from classified print declines. It is anticipated that the overall industry display advertising decline profile will continue through into 2017. The Group did not benefit from the digital revenue off-set in 2016, as the national title was acquired absent of a website, which the Group launched in April 2016. Website traffic for inews.co.uk grew to an average of 1.4m unique users[6] in Q4 2016.

Within the national sector of the Group's overall business, cover price revenues represent a significantly larger percentage of total revenues (c.80%), allowing the sector to insulate itself to some degree against the declines experienced from display advertising. Total circulation volumes across the national quality newspaper sector declined by 9% in 2016[7], with the i newspaper showing a strong performance against this trend, reporting a 5% year-on-year growth[8] (excluding bulks), having additionally absorbed a 25% price increase in September 2016. The pricing of the i newspaper, relative to the rest of the qualities national market sector, will allow for a higher degree of price elasticity, at least over the short-term.

The on-going challenge faced by national publishers is one of balancing investment in lower margin digital revenues over sustaining the higher margin print income. A number of our competitor titles, such as the Guardian and Mail-on-Line, have taken a very aggressive digital first approach, with the former seeing a much higher than average decline in newspaper circulation revenue and volume. With national display print advertising declining, and digital revenues experiencing downward pressure on yield, the overall revenue mix is shifting towards circulation revenue. It is expected that national newspaper circulation as a percentage of print revenue will rise to 51%[9] by 2020.

Regional

Revenues derived from the regional part of the business will continue to face top-line revenue challenges, driven by downward pressure on print advertising volumes, digital yield erosion and contracting volumes in newspaper sales and resulting revenues through a combination of changing behaviour and less pricing elasticity on average copy sale, restricting the ability to off-set volumes declines through cover price increases.

The top-line revenue profile of the regional newsbrands will continue to shift to more predictable circulation revenues, rising[9] to 74% of total revenues by 2020, largely because of the on-going decline in classified advertising post 2007 and continued movement to lower yielding digital display away from print advertising.

SOURCES

1. UK news media: less advertising, new models. Enders analysis, June 2016.
2. UK digital ad forecast 2016-18, Enders Analysis, November 2016.
3. 2016 Annual report statutory revenue.
4. Shareholder circular covering the acquisition of the i newspaper, March 2016.
5. Source WARC/AA.
6. Source: IBM Digital Analytics (Explore).
7. ABC.
8. ABC.
9. Enders Analysis, ABC, June 2016.

Feature: i

The announcement in February that Johnston Press was to acquire its first national newspaper took many industry commentators by surprise.

The acquisition – which coincided with previous owners ESI Media confirming stablemate the Independent was to stop its print editions, preferring instead to focus on its online offering – was seen as potentially transformational for Johnston Press and an important step towards delivering the long-term strategy.

Its enhanced reach also represented a significant growth opportunity for Johnston Press in terms of national print and digital advertising revenue.

The acquisition – for £24 million – was completed in April 2016. A new editorial team was hired – turning the existing dozen i staff into 62 – along with a new commercial team to maximise the i's new standalone status. The team moved into new offices and adapted to new systems and, just a few days after completion of the deal, the new website inews.co.uk was launched.

The i's consistent excellence during a year of world-changing headlines was rewarded at the newsstand, with strong growth in circulation and revenues throughout the rest of 2016.

The i's bold and uniquely impartial Brexit coverage powered a 30k sustained sales lift and attracted two million new readers online (July 2016 ABC). Circulation was +2.7% year-on-year (281k, Monday – Friday ABC circulation for Jul'16 – Dec'16), despite a price rise and cutting ten thousand bulk copies. Cover price revenues grew +20%, quality market share by +2.5% to 20.5%, and daily readership by +4% after the referendum in June to 541k (National Readership Survey (NRS)).

By marketing to Independent readers before closure we managed to transfer some 10,000 of them (roughly 30%) to the i.

The subscriber base grew by 41% through new payment options. Driving reader loyalty, we closed the weekday-vs-Saturday sales gap from 28,000 to 6,000, with record Saturday circulation (283,000 in June 2016) up 15% year-on-year.

Our advertising sales team used the paper's ownership to build market influence and brand credibility with a standalone message. The number of advertisers has increased by 88% (Feb'17 compared to Jul'16) and new clients include Fed Ex and Debenhams (Source: AdDynamix, page volume).

Against a turbulent backdrop, as readers sought trusted voices in a 'post-truth' age, the i newspaper often led coverage of this noteworthy year, persuading more people than ever before to turn to Britain's first and only concise, quality news brand.

YEAR-ON-YEAR SALES UP

5%

AVERAGE APR-DEC 2016 VS 2015 - BUCKING INDUSTRY TREND

SATURDAY SALES UP

13%

YEAR-ON-YEAR
AVERAGE APR-DEC 2016 VS 2015

DAILY MARKET SHARE GREW BY 2.5% TO

20.5%

DAILY READERSHIP NOW

541,000

(SOURCE: NRS OCT 2015-SEP 2016)

DAILY ABC OF

281,000

MONDAY TO FRIDAY ABC CIRCULATION FOR JUL'16-DEC'16

ADVERTISERS COUNT UP

88%

(FEB 2017 VS JULY 2016)

SUBSCRIBERS UP

41%

REINTRODUCED INTO NORTHERN IRELAND AND IMPROVED DISTRIBUTION IN THE UK

Business Model

Our strategy is focused on developing a sustainable business model

MARKETS

Digital audience growth

Increased mobile consumption

Social media

OUR CUSTOMER PROPOSITION

To be the best, most engaging platform for local news and information in our markets, to be the best advertising and marketing partner for small and medium enterprises (SMEs) and to enable 'Mass Localisation' across all our communities for national brands.

How we achieve this

Audience strategy

Grow digital engagement and slow print decline through:

Insight
Audience-centric proposition for each priority brand.

Content
Better multi-platform content strategy for each brand. Focus on local. Focus on quality. Focus on sharing ideas and content.

Products
Simpler, flexible, device responsive, real-time web and mobile.

Commercial strategy

To develop new products and services or leverage third party product and services that meet the needs of the markets we serve through:

Insight
Develop ever greater understanding of our markets, customer needs and opportunities and align our sales force to customer needs.

Service
Reduce customer churn through improved end to end customer service.

Scale
Grow national business through acquisition, partnership and by leveraging our mass localisation capability and design solutions for major brands.

Digital
Offer digital and mobile solutions that meet the changing needs of our customers.

Advertisers

Multimedia platform

Local focus

National coverage

Audience

Transforming Local Media

Our aim

In an environment of rapid digital and societal change and the growing role of 'local' in people's lives, our purpose and mission remain constant: To be the fabric that binds people to their communities and to businesses, both local and national.

HOW WE GENERATE REVENUE

Circulation revenues

Our audiences continue to consume our content through either our daily or weekly printed products, the majority of which are actively purchased.

Advertising revenues

Local and national businesses who want to reach our local audiences buy advertising space in print and online.

SME marketing services revenues

We are leveraging our existing SME relationships to deliver new digital products and services to our customers. SME marketing services are a growing revenue stream.

Circulation revenue & ad revenue

Ad revenue & digital revenue

Audience

Revenue

PRIORITIES

1 Grow overall audience

2 Make a success of the acquisition of the i

3 Execute on an ever-more efficient *editorial and sales* operation

4 Strengthening the balance sheet

See overleaf for more on priorities

Strategy

PRIORITY 1

Grow overall audience

- Increase digital audience
- Reduce print decline rates

Our news brands continue to see strong audience performance via social networks, with 17% of page views coming through Facebook. Total page views were 85.8 million in December 2016, compared to 83.7 million in the prior year.

Impressive newspaper sales results following our strategic focus on the large quality titles operating in growth markets.

Monetisation of traffic through 1XL enabled digital revenue to increase marginally year-on-year, following an exceptional 99% year-on-year performance in 2015. 1XL was launched in late 2014, bringing together the digital inventory of 30 of the UK's established news publishers.

Digital audience

22.5m

2015: 19.5m

Newspaper circulation audience

15.3m

2015: 16.2m

Total audience

37.8m

2015: 35.7m

PRIORITY 2

Make a success of the acquisition of the i

- The i circulation audience growth
- Website launch – providing immediate digital audience growth
- Increase market share

The i has increased its newspaper volume sales by 5% (ABC excluding bulks) year-on-year, which, coupled with a 10p (25%) week-day cover price rise, has seen Q4 circulation revenues up 20% compared to the equivalent quarter last year. The Saturday edition of the i has performed especially well, with circulation volume up 13% year-on-year.

Full copy sales of the i have increased its market share from 17% on acquisition to some 20% despite the 10p, 25% cover price rise (Monday-Friday edition).

The Group has also invested in the launch of a new website, inews.co.uk, which in its first nine months has gone from zero to achieving an average of 1.4 million unique users a month during Q4 2016.

The number of advertising brands in the i increased to 128 during February 2017, the highest since acquisition. Brands including Porsche, FedEx and Debenhams have advertised with the i for the first time.

Adjusted newspaper sales revenue (Group performance includes the i)

£79.7m

2015: £71.6m

Digital audience (Group performance includes the i)

22.5m

2015: 19.5m

PRIORITY 3

Execute on an ever-more efficient editorial and sales operation

Our Editorial transformation programme 'Newsroom of the Future' was bedded in during H1 2016, with encouraging audience results across print and digital.

2016 saw a restructured sales team removing layers of management and reforming the isolated, regional structure with a more modern consistent approach using Salesforce.com to support the sale of creative, native and targeted digital and print advertising solutions.

Digital audience

22.5m

2015: 19.5m

Newspaper circulation audience

15.3m

2015: 16.2m

Adjusted advertising revenue

£121.6m

2015: £143.7m

Adjusted newspaper sales revenue

£79.7m

2015: £71.6m

PRIORITY 4

Strengthening the balance sheet

- Rationalise titles
- Pursue further disposals

The Group closed or merged 15 titles during 2016, as part of its portfolio review.

During 2016, the Group acquired the i newspaper for £24 million. The acquisition has strengthened the JP portfolio and is earnings enhancing to the Group.

In 2016 the Isle of Man business was sold for £4.25 million.

The Group had £16.1 million of cash on the balance sheet at 31 December 2016 to provide liquidity.

In January 2017 the Group sold its East Anglia portfolio for £17 million. The Group's revolving credit facility was cancelled following the disposal in January 2017.

Net debt

£203.9m

2015: £174.4m
+13.7%

Key Performance Indicators

To measure performance against our strategic objectives, we monitor key performance indicators (KPIs). Unless otherwise stated all figures and growth rates presented are adjusted, as this is the internal measure that management use to measure the Group's performance. A reconciliation of the statutory to adjusted figures is provided on page 133 and basis of preparation commentary is provided in the Financial Review section. Our adjusted performance in 2016, includes the i from date of acquisition in April 2016, and is measured against 2015 is shown below:

Financial KPIs

Total adjusted revenue
£221.5m
-6.0%

Reason for choice:
This metric is an output measure of our three key revenues lines, namely print advertising, digital and newspaper sales revenues.

Performance:
- Total adjusted revenue of £111.7 million was delivered in the first half of 2016 compared to £109.8 million in the second half. (H1 2015 £123.6 million, H2 2015: £112.1 million).
- After a period of difficult trading in the summer prompted by Brexit-related uncertainty, trading improved in the fourth quarter as a result of both strategic initiatives implemented during H1 2016 and signs of improving business confidence.
- Total revenues were up 1% in Q4 compared to the equivalent quarter in the previous year, including the revenues from the i as well as strong performance from other key titles such as The Yorkshire Post. This compares to a 5% decline in Q3, in the immediate aftermath of the referendum outcome.

Adjusted print advertising revenue
£95.0m
-17.1%

Reason for choice:
Stemming the decline in print advertising, which represents 43% of revenues, remains a focus for the business.

Performance:
- 2016 saw continued downward pressure on print advertising revenue, as part of continuing structural change, exacerbated by Quarter 3. The sales transformation programme was completed in mid-2016, with some internal disruption and the migration of customers to the Media Sales Centre (MSC) during the period.
- The news publishing market continues to suffer from the severe headwinds of falling advertising revenues (particularly classified advertising).

Adjusted digital revenue
£26.6m
-8.5%

Reason for choice:
Growing the digital revenues stream is a key focus for the business as it invests in new digital products and creates growth in revenue to replace declining print revenues.

Performance:
- Statutory Digital revenues declined by 8.5% in 2016, as a result of steep decline in digital jobs market.
- The linkage between print and digital advertising revenues remains strong so the decline in print advertising had a negative impact. Digital revenues have also been impacted by the challenging economic conditions.
- During 2016, management made the decision to close some lower margin digital products.
- Training of the digital sales team will continue in 2017 as new products are rolled out.

Adjusted circulation revenue
£79.7m
+11.3%

Reason for choice:
This measure reflects the net effect of our pricing, sales volumes and customer offer for printed newspapers.

Performance:
- The decline in circulation revenue in the existing portfolio has been offset by strong i circulation revenues, resulting in 11.3% year-on-year growth.
- The i cover price rise in August 2016, has seen Q4 circulation revenues up 20% compared to the equivalent quarter last year. These strong i circulation revenues are attributed to a combination of the closure of the Independent newspaper, the investment in creating a dedicated i newspaper editorial team, strong and independent editorial leadership and the reintroduction of the title into Northern Ireland and improved distribution.

Adjusted operating costs including i
£179.4m
-3.8%
saving excluding i
£26.0m

Reason for choice:
This measure brings together the combined effects of cost saving initiatives, identification and implementation of best practice across the Group.

Performance:
- Operating costs (including depreciation and amortisation) adjusted for the acquisition of the i, were reduced by £26 million in 2016. The cost reduction was achieved after continued investment in the digital business and increased marketing support for new products.
- The i was acquired in April 2016, incurring costs of £15.2 million in the period ending 31 December 2016.
- The Group continues to seek efficiency opportunities throughout the business, including further portfolio rationalisation enabling fixed cost reductions in establishment and other costs.

Adjusted operating profit
£42.1m
-14.5%

Reason for choice:
Measuring operating profit growth ensures our continuing focus on returning to top line growth and ensuring strong cost disciplines as the business is managed to the right size during our transformation from a print to a predominately digital business.

Performance:
- *In 2016 the Group reported an adjusted operating profit of £42.1 million, a decline of £7.2 million* on the prior year.
- Whilst operating profit has fallen, operating margins remain strong at 19.0% (2015: 20.9%).

Adjusted EBITDA
£49.1m
-12.4%

Reason for choice:
Adjusted EBITDA is a key internal performance measure and is often used externally as a measure of cash generation.

Performance:
- Adjusted EBITDA of £49.4 million was achieved in 2016, including the newly acquired i.
- Management's continued focus on costs has enabled it to maintain an adjusted EBITDA margin of some 22%, believed to be amongst the highest in our industry.

Net debt excluding mark-to-market
£203.9m
+13.7%

Reason for choice:
Managing obligations and strengthening the balance sheet remains a strategic priority.

Performance:
- Debt increased by £24.5 million over the period, primarily as a result of acquiring the i.
- Having previously indicated that the Group would seek to sell assets in non-strategic markets and, subsequent to the acquisition of the i, the Group indicated that it would continue to seek to sell assets with a view to replacing the cash invested.
- In 2016 the Isle of Man business was sold for £4.25 million, and in January 2017 the Group completed the sale of a portfolio of titles in the East Anglia and East Midlands for £17 million (Refer post balance sheet events Note 32).

Non-Financial KPIs

Employee health and safety – accidents
0.7%[1]
-0.2pp

Reason for choice:
This KPI measures the number of employees involved in accidents within our printing and publishing operation. This statistic measures the effectiveness of our health and safety procedure and is a key part of our control environment.

Performance:
- *For the sixth year in succession, we have reduced the number of total accidents.*
- There were no accidents requiring notification under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).

[1] The number of employees involved in accidents in the Group's printing and publishing operations in 2016 was 0.7% compared to 0.9% in 2015.

Year-on-year December print and digital audience (million unique users)

Total audience
37.8m
+6.0%

Print audience
15.3m
-5.9%

Digital audience
22.5m
+15.4%

Reason for choice:
Growing overall audience remains a key strategic priority as it measures our ability to deliver high quality content that resonates with our audiences.

Performance:
- Our overall audience growth was driven by our digital platforms, with average digital audience growing from 19.5 million to 22.5 million unique users. During 2016, a significant programme of improvements was completed ensuring all 173 of our websites have now been refreshed and offer a greatly-enhanced user experience.
- Page views also increased year-on-year with 85.8 million page views in December 2016 compared to *83.7 million in the prior year.*
- For the traditional Johnston Press titles, print circulation declined by 13.3% year-on-year, partly mitigated by 3.3% growth in the i print audience (average readership April-December).

Principal Risks and Uncertainties

There are a number of potential risks and uncertainties which have been identified by the Company that could have a material impact on the Group's long-term performance.

Risk	Description	Risk rating (inherent)	Change in 2016	Mitigating activities	Risk rating (residual)
1. Refinancing June 2019 Failure to repay, refinance, satisfy or otherwise retire the bonds at their maturity would give rise to a default under the indenture and could have a material impact on the Group's operations and its ability to continue as a going concern.	In order to refinance on commercial acceptable terms, the Company will need to meet prevailing market requirements, including acceptable debt/ EBITDA leverage ratios.	High	Increased	The Company has instigated various initiatives to improve revenue performance and reduce net debt. The Company is exploring strategic options available (refer to the Viability Statement on page 46).	High
2. Print-based revenues Print advertising and circulation revenues continue to decline at current levels, or accelerate further.	There are continued threats to print-based revenues, including from competition threats in many markets and from changing technology and consumer habits, business change, reducing customer numbers, circulations and paginations. Increased uncertainty following the referendum result to leave the European Union.	High	Increased	The Group continues to develop its digital advertising offering through partnerships, mobile apps and new, digital-based products and new websites. It has invested in and reorganised its sales function to ensure a more proactive and effective approach and that the sales offering is fully understood by sales staff and appropriate for customer needs.	High
3. New revenue streams Digital revenues decline, or do not grow at the rate needed to offset Print decline over the short to medium term.	The impact of dominant market players (particularly Facebook and Google) have contributed to a slowdown in the growth of digital display advertising. Increased mobile usage has eroded margins. There is a need to respond quickly to evolving consumer demands. New entrants in the Property and Employment digital markets has increased pressure on market share.	High	Increased	Search engine marketing (SEM) solutions which include a Facebook element are being developed. Mobile first sales teams are in place and all local digital sales seek to include a mobile element. The Group has made considerable investment in its customer database and improving customer relationship management.	High
4. Cost reduction The Group is required to invest in cost reduction and is constrained in its ability to invest in development.	The need to further reduce costs limits the ability to invest in the business and requires that the Company streamline its management and reporting structure.	High	Unchanged	This is an area of ongoing management attention. The Group has continued to find operational efficiencies as total revenue has declined. Clear organisational and reporting responsibilities are in place.	Medium

Risk	Description	Risk rating (inherent)	Change in 2016	Mitigating activities	Risk rating (residual)
5. Liquidity The Group is not able to generate sufficient cash from trading.	The Group has interest costs of £19.4m and pension contributions of £10.3m. Further downward pressure on revenues could reduce operating cashflow below the level required to service interest and pension commitments.	High	Increased	Cash at bank was £16.1 million for the period ended 31 December 2016. The East Anglia and East Midlands title disposal completed in January 2017, generating £17 million of cash proceeds.	Medium
6. Economy The impact of changes in the economy and United Kingdom economic *performance, including* from Brexit, may have an impact on the Group's operations.	*The Company is subject* to prevailing economic conditions and the impact of emergent and *unexpected events. It is* also subject to conditions in particular sectors, e.g. property and employment.	*Medium*	*Unchanged*	*The Company seeks to* forecast forthcoming economic conditions through its budgeting *process and monitoring* of prevailing conditions.	*Medium*
7. Pension scheme	The Company is engaged in negotiations with the trustees of its final salary pension scheme as part of the scheme's triennial review. An affordable revised schedule of contributions dealing effectively with the scheme's deficit requires agreement.	High	Increased	Expert advice is being taken. Constructive engagement with trustees is ongoing to explain the Company's position. Ongoing dialogue with the Pensions Regulator to ensure they are fully informed. A revised pension contributions plan will be confirmed following the companies strategic options review.	Medium
8. Investment in growth	The Company's ability to invest in new digital product development and technology is limited. This hinders its ability to stay competitive and invest in the digital products necessary in a rapidly changing environment.	Medium	Increased	The Company seeks to limit the impact of these constraints through a focus on the areas of highest impact to support and promote growth of its local display, features and entertainments products.	Medium
9. Data security	The Company's systems and data integrity could be vulnerable to disruption and/or loss of, or loss of access to, data. Poor quality data could limit the realisation of marketing and business opportunities.	High	Unchanged	The Group has inbuilt 'strength in depth' for data systems and collaborates with third party suppliers to protect systems and data. Data quality is the subject of ongoing management focus, monitoring and reporting with training for staff concerned.	Medium

Operational Review

Delivering our strategy

Throughout a turbulent year of global change we remained a leading source of news and information in the United Kingdom.

Whilst 2016 was challenging both for the industry and Johnston Press, the business continued to evolve, adapt and innovate.

The addition of the i national newspaper to the portfolio – and subsequent launch of inews.co.uk - has helped to accelerate delivery of our strategy and we are able to deliver national and regional advertisers a highly successful platform to link them directly with local audiences.

Audience development

The acquisition of the national newspaper the i, coupled with the planned divestment of some titles and the merging/closure of others, resulted in a streamlined print portfolio, which has allowed for sharper focus on growing audiences in markets and across groups of titles that offer the best digital and economic growth and/or prospects.

The relaunch of all of our websites ensured a better digital experience for users as we continued to focus on better audience engagement on our digital platforms.

A number of editorial initiatives to grow both print and digital audiences through improved content were implemented, including We Are Digital (see case study on page 22) and the Big Cities Strategy - which encouraged one consistent and relevant content plan across all city titles.

Digital product and market development

It is increasingly vital to offer an optimised mix of advertising solutions and Johnston Press is uniquely positioned to deliver these solutions. Throughout 2016 Johnston Press put in place a flexible organisational design, smarter solutions and the right tools to reach readers and serve customers better than ever, giving them the right product on the right device, at the right time.

Our sales force is now data-driven and allows us to serve customers in a profitable way with specialised teams.

We have a new understanding of the most advanced algorithmic/programmatic sources and are leveraging our expertise in locally-relevant content, offering our advertisers a native advertising service to generate content to connect with readers.

Our newsrooms have sophisticated new tools and skills to publish onto social channels such as Facebook, and are 'going live' to broadcast from anywhere – providing truly local content that reaches far beyond our borders.

Operations and production

The printing services division secured two further significant contracts in 2016, further strengthening its position as one of the best print providers in the country, (see case study on page 3) a testament to the highly-skilled teams based at the Sheffield, Portsmouth and Carn sites.

Commercial development

Our sector continues to be impacted by challenging print revenue trends but we are now better placed than ever to serve the advertising needs of our customers.

During 2016 we focused on restructuring our sales teams and adopted a modern and consistent approach to selling creative, native and targeted digital and print advertising solutions. Our raft of products and multi-platform approach to advertising means we are now better positioned to meet the individual needs of our advertisers.

Around 21,000 of our smaller, infrequent clients have been transferred to our Media Sales Centres, high and mid-spend sales teams have consolidated and a new acquisitions team created to help attract new business or revive lapsed customers.

A new commercial platform was launched to support LDFE (Local Display, Features and Entertainment) and new Go To Market collateral created as part of the sales transformation.

Monetisation of increased digital traffic through our national sales platform 1XL enabled digital revenue to increase by 10% in Q4 year-on-year, and with a comScore unique total audience reach now exceeding 22.7 million (Total Audience January 2017), 1XL can match the national unique coverage offered by the portals through display media hosted exclusively on sought-out, unique-content filled and implicitly trusted branded news sites.

Information technology

The IT department was restructured around three pillars in 2016 – Agile, Core and Finance IT to improve delivery time on key projects.

As always, IT was at the core of the business playing a significant role in most major projects during 2016, including delivering a full end-to-end technical solution for the i in six weeks, which included Editorial, Advertising and Newspaper Sales, alongside the commissioning of a new office and associated computer systems.

The team has also completely re-engineered the Group's financial systems in order to support the move to a vertical structure and heavily supported the Salesforce project team through its pilot to successful launch.

Management structure

A number of changes to the management structure have been made to ensure the business is as agile and effective as possible.

In early March 2017, Jeff Moriarty, our Chief Digital & Product Officer, took on the additional responsibility for the multi-platform publishing strategy to ensure our portfolio offered a truly integrated digital and print offering.

The commercial teams have undergone significant changes as part of the Sales transformation and a single, collaborative function has enabled us to focus on growing revenue through providing an even better customer experience.

A new LDFE and Sales Operations leadership team has helped to accelerate the sales strategy, as we continued to equip and develop our teams to provide a consistent, quality service to customers.

The team continue to provide quality data so we can approach how we target and serve customers in the right way. This will help us secure longer-term bookings and take action on the back of revenue trends to ensure we are focusing our efforts accordingly.

Property and estate

We have continued to review our property portfolio to identify markets and centres that have an accommodation which no longer meets the requirements of the business. During 2016 we disposed of ten freehold properties and exited nine leases (net of relocations). Overall we reduced the total number of operating properties within the portfolio from 125 at the end of 2015 to 107 by the end of 2016, with nearly half of all staff either having relocated or having seen investment in their work environment in recent years. The Group expects to take advantage of additional opportunities to rationalise the property portfolio across 2017, including 8 leases that will be reassigned or sublet as part of the East Midlands and East Anglia title disposal to Iliffe Media Ltd.

Case Studies

"WE ARE DIGITAL" INITIATIVE

2016 signalled a huge step change in the Company's evolution as we became ever-more digitally focused.

We Are Digital launched in May to support editorial colleagues in the constantly changing media landscape and ensure that our compelling content reached a growing multimedia audience.

Building on the 'Newsroom of the Future' initiative, the aim of We Are Digital was to set universal standards and best practice for digital content and behaviour and ensure the speedy deployment of successful campaigns to our newsrooms.

Through collaboration, better sharing of expertise and nurturing digital talent, We Are Digital aimed to deliver stronger content and better social media, an improved digital newsroom structure, increased video content and a new digital hub.

The ambition was to see significant increases in page views, unique users and greater social engagement across the portfolio. It was hoped that monetisation of this traffic through 1XL would also, therefore, increase.

The team launched a digital academy with 12 areas of best practice. New Social Media Editor roles were created with 11 appointments in place by the end of the year and test centres for new tools and technology set up in Sunderland and Northampton.

Weekly conference call meetings, digital tutorials, social media initiatives and Group-wide sharing of successes, led by a 40-strong deployment team, started to have an effect with new tools, such as Playbuzz which creates content in interactive formats including polls and quizzes – enjoying high levels of uptake.

The initiative is now fully embedded into the Company culture and will continue to adapt and evolve according to changing technology, consumer habits and strategic priorities of the business.

In 2016 We Are Digital helped to deliver:

15%

increase in unique users year-on-year (2016 vs 2015)[1]

5%

increase in page views (2016 vs 2015)[1] despite the industry-wide shift of consumers' consumption to mobile and social networks

60%

increase in Facebook followers, now 2 million followers (growth from 1 January 2016 to 31 December 2016)[2]

[1] Source: IBM Digital Analytics 2015 vs 2016.
[2] Source: Crowdtangle Analytics Facebook Leaderboard.

SPECIAL INVESTIGATIONS UNIT LAUNCHED

In November Johnston Press launched a new Investigations Unit with its first project, a hard-hitting report revealing the truth behind Britain's deadly road crimes and the scandal of lenient sentencing.

The unit allows titles to share the output from our team of investigative reporters, giving all of them access to expert and well-researched reporting. Led by multi-award-winning investigative reporter Aasma Day, of the Lancashire Post, the Unit is made up of reporters from each of our regions and together they unveiled the shocking findings of its Drive for Justice investigation. The report exposed that, despite hundreds of convictions for causing death by dangerous driving, no-one in the UK has ever received the maximum sentence of 14 years' imprisonment.

The report also revealed that drivers who kill have been sentenced to an average of just four years in prison with dozens of convicted drivers escaping jail altogether. Despite a trail of shattered lives and family tragedies across the UK, culpable drivers have often walked away from court either with light sentences or no sentence at all.

The launch piece was used across our 14 daily titles – including the i – and tailored with local case studies. Many weeklies followed suit and carried the content in print in the days and weeks following and online from day one. The Twitter hashtag #DriveForJusticeCampaign gained thousands of impressions and trended nationally on launch day.

The campaign called on the Government to re-work sentencing guidelines and train judges so they use the full powers available to them and ensure tougher sentences are handed out to the worst offenders.

So far, questions have been asked in the House of Commons and the Scottish Parliament and the UK Government has launched a major consultation over sentencing. More than 3,000 readers signed an online petition calling for stiffer punishments.

Financial Review

Strong circulation performance from the acquisition of the i newspaper and improving volume trends across regional titles helped partially offset challenging advertising trading conditions which saw adjusted operating profit decline in 2016.

Introduction
This Financial Review provides commentary on the Group's statutory and adjusted performance during the 52-week period ended 31 December 2016 (2015: 52 weeks).

Basis of presentation of results
The statutory results are for the continuing Group, which exclude the disposed of Isle of Man business. The prior year statutory results have been restated to exclude discontinued operations.

In preparing commentary on performance, the financial impact of a number of significant accounting and operational items has been removed to determine the adjusted results discussed in this Financial Review. The adjusted results are considered a more meaningful presentation of the 'underlying' results of the Group, excluding the effect of closed titles and businesses and the significant impairment charged in the period.

The i newspaper is included in results from the date of acquisition, in April 2016, and therefore is not included in the 2015 comparatives.

A reconciliation of statutory to adjusted figures is provided on page 30, and further disclosure is provided on page 133.

	Statutory				Adjusted			
	2016[3] £m	2015 £m	Change £m	Change %	**2016[3] £m**	2015 £m	Change £m	Change %
Newspaper sales	**79.9**	72.0	7.9	11.0%	**79.7**	71.6	8.1	11.3%
Contract printing	**12.8**	12.6	0.2	1.3%	**12.8**	12.6	0.2	1.4%
Print advertising excluding classified	**61.3**	67.8	(6.5)	(9.5%)	**61.0**	66.9	(5.9)	(8.9%)
Digital advertising excluding classified	**18.6**	18.6	0.0	(0.2%)	**18.5**	18.3	0.2	1.1%
Print and Digital advertising excluding classified	**79.9**	86.4	(6.5)	(7.5%)	**79.5**	85.2	(5.7)	(6.7%)
Classified and other advertising	**42.7**	62.6	(19.9)	(31.8%)	**42.1**	58.5	(16.4)	(28.0%)
Total advertising revenue	**122.6**	149.0	(26.4)	(17.7%)	**121.6**	143.7	(22.1)	(15.4%)
Leaflet, syndication and other revenue	**7.4**	8.5	(1.1)	(12.2%)	**7.4**	7.8	(0.4)	(5.0%)
Total continuing revenues	**222.7**	242.1	(19.4)	(8.0%)	**221.5**	235.7	(14.2)	(6.0%)
Operating costs[1]	**(538.4)**	(233.4)	(305.0)	131.0%	**(172.4)**	(179.7)	7.3	(4.1%)
EBITDA[2]	**n/a**	n/a			**49.1**	56.0	(6.9)	(12.4%)
Depreciation and amortisation	**(7.4)**	(8.4)	1.0	(11.4%)	**(7.0)**	(6.7)	(0.3)	3.2%
Operating (loss)/profit	**(323.1)**	0.3	(323.4)	n/a	**42.1**	49.3	(7.2)	(14.5%)
Operating (loss)/profit margin	**n/a**	n/a			**19.0%**	20.9%		

1 Operating costs include cost of sales and are stated before depreciation and amortisation.
2 EBITDA is earnings before interest, tax, depreciation and amortisation.
3 The i newspaper is included in results from the date of acquisition, in April 2016.

Revenue

Total adjusted revenues were down 6.0% for the year, and down 13.6% excluding the i. Tough trading conditions in 2015 continued into 2016 and were exacerbated in Q3 prompted by Brexit-related uncertainty. Trading improved in Q4 as a result of both strategic initiatives implemented during H1 2016 and signs of improving business confidence.

Total revenues in Q4 were up 1% compared to the equivalent quarter last year compared to a 5% decline in Q3 in the immediate aftermath of the Brexit vote.

Digital advertising was impacted by tough trading conditions, but also impacted by a significant decline in digital employment revenues, down £2.2 million, 27.2% year-on-year.

Newspaper sales revenue

A mix of cover price increases, continued rationalisation and content improvement initiatives across the portfolio and the sale of the titles has contributed to adjusted newspaper sales revenues of £79.7 million in the year (including the i). This compares to newspaper sales revenue of £71.6 million in 2015, year-on-year growth of 11.3%. Total circulation revenues have increased overall due to the inclusion of the i newspaper which has mitigated the overall decline in the remaining title portfolio.

Adjusted newspaper sales revenues excluding the i were £65.0 million for 2016 (2015: £71.6 million), a decline of 9.3%.

Contract printing

Contract printing revenue of £12.8 million was marginally up year-on-year by 1.3%. Printing revenue grew year-on-year 5.2% to £10.2 million while revenues from paper supply fell by 11.4% to £2.6 million as a result of circulation volume reduction of customer titles. Two major contracts were announced in 2016 and the first quarter of 2017 (refer to case study on page 3) which has helped mitigate the decline in internal Group printing. The Group has three high-quality print presses that are well positioned to service both its external customers and the Group's own portfolio.

Advertising revenue

The news publishing market continues to suffer from the severe headwinds of both falling advertising revenues (particularly classified advertising) and the decline in print circulation.

Total advertising revenue (excluding classified) was down 6.7% year-on-year. Total advertising revenue (excluding classifieds) fell 7% in Q3 compared to the equivalent quarter last year, improving to down 2.5% in Q4. Classified revenue performance was down 28.0% year-on-year. The employment category was particularly heavily hit, down 26.5% in print and 27.2% in digital.

Excluding the i, total advertising revenue (excluding classifieds) declined 10% for the year, having declined 12% in Q3, while improving to a 7% decline in Q4. Classifieds also showed a marginal improvement in run rate in Q4 compared to Q3.

Quarterly adjusted advertising revenue performance, including i, is presented in the table below.

	Adjusted						
2016 Quarterly adjusted revenue performance, including i	Q1 2016 £m	Q2 2016 £m	**H1 2016 Total £m**	Q3 2016 £m	Q4 2016 £m	**H2 2016 Total £m**	**2016 Total £m**
Print and Digital advertising excluding classified	20.2	19.8	**40.0**	19.4	20.1	**39.5**	**79.5**
Classified and other advertising	12.4	11.2	**23.6**	10.0	8.5	**18.5**	**42.1**
Total advertising revenue	32.6	31.0	**63.6**	29.4	28.6	**58.0**	**121.6**
2015 Quarterly adjusted revenue performance, excluding i	Q1 2015 £m	Q2 2015 £m	**H1 2015 Total £m**	Q3 2015 £m	Q4 2015 £m	**H2 2015 Total £m**	**2015 Total £m**
Print and Digital advertising excluding classified	23.0	20.8	**43.8**	20.8	20.6	**41.4**	**85.2**
Classified and other advertising	16.7	15.8	**32.5**	14.5	11.5	**26.0**	**58.5**
Total advertising revenue	39.7	36.6	**76.3**	35.3	32.1	**67.4**	**143.7**
Quarterly performance trend							
Print and Digital advertising excluding classified	(12.0%)	(5.0%)	**(8.7%)**	(7.0%)	(2.5%)	**(4.7%)**	**(6.7%)**
Classified and other advertising	(25.5%)	(29.2%)	**(27.4%)**	(31.3%)	(25.9%)	**(28.9%)**	**(28.0%)**
Total advertising revenue	(17.7%)	(15.4%)	**(16.6%)**	(16.9%)	(10.9%)	**(13.9%)**	**(15.4%)**

Financial Review continued

Print and digital publishing advertising adjusted revenue analysis

	Full year			First half			Second half		
Adjusted revenue including i	**2016 £m**	2015 £m	% change	**2016 £m**	2015 £m	% change	**2016 £m**	2015 £m	% change
Display – local and national	**49.1**	53.9	(9.0%)	**24.4**	27.5	(11.3%)	**24.7**	26.4	(6.5%)
Transaction revenues	**26.5**	27.9	(4.9%)	**13.7**	14.8	(7.4%)	**12.8**	13.1	(2.1%)
Digital marketing services[1] & Enterprise	**3.9**	3.4	13.7%	**1.9**	1.5	26.7%	**2.0**	1.9	5.7%
Print and digital publishing advertising	**79.5**	85.2	(6.7%)	**40.0**	43.8	(8.7%)	**39.5**	41.4	(4.7%)
Classifieds and other advertising	**42.1**	58.5	(28.0%)	**23.6**	32.5	(27.4%)	**18.5**	26.0	(28.9%)
Total advertising revenue	**121.6**	143.7	(15.4%)	**63.6**	76.3	(16.6%)	**58.0**	67.4	(13.9%)
Print publishing advertising	**61.0**	66.9	(8.8%)	**30.9**	34.8	(11.3%)	**30.1**	32.1	(6.3%)
Digital publishing advertising	**18.5**	18.3	1.2%	**9.1**	9.0	1.4%	**9.4**	9.3	1.0%
Print and digital publishing advertising	**79.5**	85.2	(6.7%)	**40.0**	43.8	(8.7%)	**39.5**	41.4	(4.7%)

	Full year			First half			Second half		
Adjusted revenue excluding i	**2016 £m**	2015 £m	% change	**2016 £m**	2015 £m	% change	**2016 £m**	2015 £m	% change
Display – local and national	**46.4**	53.9	(13.7%)	**23.8**	27.5	(13.5%)	**22.6**	26.4	(14.0%)
Transaction revenues	**26.5**	27.9	(4.9%)	**13.7**	14.8	(7.4%)	**12.8**	13.1	(2.3%)
Digital marketing services[1] & Enterprise	**3.9**	3.4	12.9%	**1.9**	1.5	26.7%	**2.0**	1.9	5.3%
Print and digital publishing advertising	**76.8**	85.2	(9.8%)	**39.4**	43.8	(10.0%)	**37.4**	41.4	(9.4%)
Classifieds and other advertising	**41.5**	58.5	(28.8%)	**23.5**	32.5	(27.7%)	**18.0**	26.0	(30.4%)
Total advertising revenue	**118.3**	143.7	(17.5%)	**62.9**	76.3	(17.6%)	**55.4**	67.4	(17.5%)
Print publishing advertising	**58.4**	66.9	(12.6%)	**30.3**	34.8	(12.8%)	**28.1**	32.1	(12.4%)
Digital publishing advertising	**18.4**	18.3	0.6%	**9.1**	9.0	0.9%	**9.3**	9.3	0.4%
Print and digital publishing advertising	**76.8**	85.2	(9.7%)	**39.4**	43.8	(10.0%)	**37.4**	41.4	(9.5%)

[1] Digital marketing services, formerly Digital Kitbag (DKB).

Leaflets, syndication and other revenues

Leaflets, syndication and other revenues (which include events, reader offers and waste sales) declined £0.4 million period-on-period, which can be attributed to a reduction in the number of events and outsourcing of leaflet business to Mediaforce.

The table below presents the historic adjusted revenue presentation, for the purpose of reconciling to the Group's previous revenue reporting and statutory breakdowns in the note to the financial statements.

	Full year (including i)			Full year (excluding i)		
	2016 £m	2015 £m	% change	**2016 £m**	2015 £m	% change
Advertising revenue						
Print	**95.0**	114.6	(17.1%)	**92.0**	114.6	(19.7%)
Digital	**26.6**	29.1	(8.5%)	**26.5**	29.1	(8.8%)
Total advertising revenue	**121.6**	143.7	(15.4%)	**118.5**	143.7	(17.5%)
Non-advertising revenue						
Newspaper sales	**79.7**	71.6	11.3%	**65.0**	71.6	(9.3%)
Contract printing	**12.8**	12.6	1.4%	**12.8**	12.6	1.4%
Other	**7.4**	7.8	(5.0%)	**6.9**	7.8	(11.5%)
Total other revenue	**99.9**	92.0	8.5%	**84.7**	92.0	(7.5%)
Total continuing revenue	**221.5**	235.7	(6.0%)	**203.2**	235.7	(13.6%)

Operating costs

Operating costs (including depreciation and amortisation) were reduced to £179.4 million in 2016 from £186.4 million in 2015, representing, on an adjusted basis, a £7.0 million year-on-year reduction, including the costs of the i, acquired in April 2016.

Excluding the i, adjusted operating cost savings of £26 million were achieved by the Group. Cost savings were made across all areas of the business including production, distribution, editorial, sales, marketing, establishment, administration and head office costs.

The depreciation charge rose by £0.3 million to £7.0 million in 2016 as a result of the digital investment in 2013 and onwards.

The weakness of sterling post the Brexit vote has increased the cost of imported paper and ink. However, management's continued focus on costs has enabled it to maintain an adjusted EBITDA margin of some 22% (compared to 24% in the prior year), believed to be amongst the highest in our industry.

Operating profit

In 2016 the Group's adjusted operating profit was £42.1 million, a 14.5% decline on the prior year. Adjusted Total Group revenues were down £14.2 million to £221.5 million, a decline of 6.0%. This decline was partially mitigated by cost reductions of £26.0 million, excluding the cost incurred following the acquisition of the i. Operating margin declined slightly from 20.9% to 19.0% in the period.

Finance income and costs

Adjusted total net finance costs were £19.5 million, an increase of £0.5 million year-on-year. Adjusted total operating finance costs reduced by £0.3 million year-on-year, as the Group had the full-year benefit of the August 2015 bond buy-back. Investment income includes dividends received from the Press Association in 2015. No similar dividends were received in 2016. The fair value gain on the *bond for the period to 31 December amounted to £43.6 million (period to 2 January 2016: £23.9 million gain). Refer to Note 21* Borrowings for further information.

Net financing income/(costs)

	Statutory			Adjusted[1]		
	2016 £m	2015 £m	£m change	**2016 £m**	2015 £m	£m change
Interest on bond	**(19.0)**	(19.3)	0.3	**(19.0)**	(19.3)	0.3
Interest on bank overdrafts and loans	**(0.4)**	(0.4)	0.0	**(0.4)**	(0.4)	0.0
Amortisation of term debt issue costs	**(0.2)**	*(0.2)*	0.0	**(0.2)**	*(0.2)*	0.0
Financing fees	**-**	(0.1)	0.1	**-**	-	-
Total operating finance costs	**(19.6)**	(20.0)	0.4	**(19.6)**	(19.9)	0.3
Investment income	**0.1**	0.9	(0.8)	**0.1**	0.9	(0.8)
Net finance expense on pension liabilities/assets	**(0.8)**	(2.9)	2.1	**-**	-	-
Change in fair value of borrowings	**43.6**	23.9	19.7	**-**	-	-
Exceptional financing costs	**(0.5)**	-	(0.5)	**-**	-	-
Total net financing income/(costs)	**22.8**	1.9	20.9	**(19.5)**	(19.0)	(0.5)

[1] Adjusted net financing costs excludes the mark-to-market fair value gain on the bond of £43.6 million (2015: £23.9 million gain), pension finance expense and exceptional financing costs.

Reconciliation of net debt to net debt excluding mark-to-market

	Full year 2016 £m	Full year 2015 £m
Gross bond debt (at inception)	**225.0**	225.0
Bond repurchase	(5.0)	(5.0)
Cash and cash equivalents	(16.1)	(40.6)
Net debt excluding mark-to-market	**203.9**	179.4
Mark-to-market on bond (from inception)	(72.6)	(29.0)
Bond discount (net)	(4.4)	(4.4)
Net debt	**126.9**	146.1

Profit before tax

The Group's adjusted profit before tax was £22.9 million (2015: £30.7 million). The year-on-year decline of £7.8 million is due to the reduction in revenues being only partly mitigated by operating cost savings.

Financial Review continued

Tax rate

The Income Statement includes a tax credit of £53.4 million (2015: £8.5 million tax credit) which comprises a current tax charge of £0.7m (2015: £0.4m tax credit) and a deferred tax credit of £54.1 million (2015: £8.1 million tax credit). The Statement of Other Comprehensive Income includes a £1.1m current tax credit in relation to the current tax benefit of pension contributions in excess of net pension financial charges.

The deferred tax credit of £54.1 million arises primarily as a result of the impairment of publishing titles, which resulted in a £62.3 million release of deferred tax liability. A deferred tax charge of £8.4 million arose in the period in relation to the bond.

The Group's effective tax rate was 17.7% for the 2016 financial year (2015: 391.2%). The effective tax rate was reduced from the prevailing UK corporation tax rate of 20.0% largely due to the difference between the current and deferred tax rates applied, with the difference arising primarily on the Group's publishing titles.

Refer to Note 9 and 23 in the financial statements for further detail.

(Loss)/earnings per share and dividends

	Statutory Basic EPS		Adjusted Basic EPS	
(Loss)/earnings per share for continuing operations	2016	2015	2016	2015
(Loss)/earnings (£m) less preference dividend	**(247.0)**	10.6	**17.6**	24.1
Number of ordinary shares (m)	**105.3**	105.3	**105.3**	105.3
EPS (pence)	**(234.6)**	10.0	**16.7**	22.9

A reconciliation of statutory to adjusted earnings per share is detailed within the detailed reconciliation of the statutory to adjusted shown on page 133.

The provisions of the Group's bond restrict the Company's ability to pay dividends on the Company's ordinary shares until certain conditions, including that net leverage is below 2.25x EBITDA, are met. Although the Board wishes to resume dividend payments as soon as is appropriate, no ordinary dividend is declared for the period.

Preference share dividends of £0.1 million were approved on 18 May 2016 and paid on 30 June 2016 based on the Directors consideration of distributable reserves available at the time. Following continued difficult trading conditions and Brexit impacting discount rates, a further review of the valuation of intangibles was undertaken resulting in a significant impairment at the interim and the extinguishment of distributable reserves. As a result, preference share dividends were not paid at the year-end but have been accrued.

Acquisition of the i

On 10 April 2016, Johnston Publications Limited, a 100% owned subsidiary of the Group, acquired the principal assets of "the i", part of the Independent Group for a consideration of £24.1 million (including working capital).

Since acquisition, the i has generated £18.5 million of revenue and incurred £15.2 million of operating costs, generating EBITDA of £3.3 million (H116 £0.4 million, H216 £2.9 million). Cashflows in relation to the i acquisition in the period are summarised in the table below:

	2016 £m
Cash consideration paid in period	**22.0**
Fees incurred and paid in period	**1.8**

Further cash consideration of £2.0 million is due to be paid in April 2017.

The level of fees incurred reflected the acquisition being classified as a Class One transaction requiring a prospectus and the involvement of Reporting Accountants.

Cashflow and net debt

The Group's net debt increased to £203.9 million at 31 December 2016 reflecting the acquisition of the i on 10 April 2016, and excludes mark-to-market on the bond and bond discounts totalling £77.0 million. In the period, a £43.6 million fair value movement gain has been recognised. The net debt after mark-to-market adjustments was £126.9 million. Refer to the table above for a reconciliation between statutory net debt and net debt excluding mark-to-market on page 27 and Note 21.

Cash generated from operations of £16.5 million is after payment of a £3.9 million LTIP payment relating to the 2014 refinancing that was payable in early 2016, the cash for which was raised in 2014, £1.8 million for i acquisition costs, and pension contributions of £9.7 million.

Cash interest paid in the period was £19.4 million (2 January 2016: £19.7 million).

Cash held at 31 December 2016 was £16.1 million, with the reduction from the prior period largely due to the acquisition of the i and the impact of underlying trading performance and payment of restructuring accruals (£2.4 million) and a one-off LTIP accruals (£3.9 million) set-up in 2014, being paid out in 2016. Capital expenditure was reduced to £6.1 million (2 January 2016: £7.8 million) offset by £2.3 million received from non-core asset sales (2 January 2016: £2.3 million) (Note 14). During the period, the Group disposed of assets in the Isle of Man, for proceeds of £4.25 million.

In January 2017, the Group announced that it had successfully divested 13 East Anglian and East Midlands titles to Iliffe Media Limited, receiving cash proceeds of £17.0 million. The Group's revolving credit facility (RCF) was renegotiated in 2016 but was cancelled on completion of the disposal. Refer to post-balance sheet event Note 32.

2019 bond refinancing

The Group's borrowings consist of £220.0m of bonds due for repayment on 1 June 2019. The Directors, along with the Group's advisors, are currently exploring the strategic options available to the Group in relation to its £220 million 8.625% senior secured notes which become due on 1 June 2019. This is fully discussed in the Viability Statement.

Net liabilities position

At the period end, the Group had a net deficit of £24.7 million, a reduction in assets of £283.7 million on the prior year. The movement in the net asset position from the prior year includes: an impairment write-down of £344.3 million (discussed further below), a £40.8 million increase in the pension deficit, partially offset by £43.6 million reduction in borrowings (which is due to the fair value gain of £43.6 million recorded in the period) and a reduction of £60.5 million in the net deferred tax liabilities (arising primarily from the movement in intangibles and pensions).

Asset impairment

The carrying value of assets is reviewed for impairment at least annually or more frequently if there are indications that they might be impaired. In light of the difficult trading conditions that continued in 2016, and the resulting decline in adjusted operating profit, the Group has written down the carrying value of certain assets by £344 million. The impairment charge on publishing titles and print assets reflects the current trading performance, and reduced long term growth rates. The write-down reduces the assets carrying value of publishing titles to £120 million (excluding the i) and print assets to £20 million. (Refer to Note 13 and 14 in the financial statements).

As a consequence of the impairment of publishing titles, the Company has net assets which are less than half of its called-up share capital. Pursuant to section 656 of the Companies Act 2006, the directors will call a general meeting of the company within 28 days to consider whether any, and if so what, steps should be taken to deal with the situation. As part of its strategic review the Company is working with its advisers to address the issues which result from this.

Pensions

As at 31 December 2016, the net pension deficit has increased to £67.7 million from £27.0 million at 2 January 2016. The increase in deficit is largely a result of a significant rise in pension liabilities due to falling corporate bond yields and increasing inflation expectations together with a small adjustment on mortality assumptions.

Each of the financial assumptions were reviewed in light of market conditions resulting in the application of a discount rate of 2.7% (down from 3.75% at 2 January 2016), and an increase in inflation assumption by 0.4% to 3.4%. The increase in liabilities has been substantially offset by positive asset returns over the year.

The 'health study' completed in 2015 has continued to be used to inform the mortality assumptions and the application of the historic spousal age differences. Allowing for most recent scheme experience, the mortality assumption has decreased from + three to + two years. The revised mortality assumption has resulted in a revision of the future life expectancy of males and females aged 65 from 19.7 and 21.3 respectively to 20.1 and 21.7 respectively. Refer to Note 22 for more detailed disclosure surrounding the Johnston Press Pension Plan.

During the course of 2016, the Group completed the legal process concerning the equalisation of scheme benefits for 'Affected members' in the Portsmouth & Sunderland section of the Plan. The outcome of the aforementioned consultation has the effect of changing the scheme rules and this has been recognised as a Past Service Cost in the Group Income Statement. A charge of £3.5 million has been reflected against a possible risk of £8 million identified in the 2015 Annual Report contingent liabilities disclosure.

The results of the triennial valuation were due at the end of March 2017. Agreement with the Trustees will be deferred until the Group has completed its review of its strategic options relating to the refinancing of the bonds in June 2019. The Annual Report includes disclosure of the current position and the Company will provide an update when it is in a position to do so. Pension contributions will continue to be made by the Company at the level previously agreed (£10.3 million for 2017).

Financial Review continued

Pension scheme deficit - 2 year history of managed and market driven movements

Capital expenditure

The Group capitalised £6.1 million of assets in the period (2015: £7.8 million). Of this, £4.6 million was spent on developing the digital platforms (2015: £5.0 million) and £1.6 million spend on other infrastructure (2015: £3.8 million), including £0.4 million on leasehold improvements and £1.2 million on other plant and machinery.

Reconciliation of statutory and adjusted results

Adjusted operating profit of £42.1 million (2015: £49.3 million) includes the results of the i from the acquisition date and has been calculated after adjusting for revenue and cost of sales for closed titles and digital brands. Adjustments made to operating costs include restructuring, impairment and other non-trading related costs.

Continuing statutory revenue has been adjusted for closed titles and digital products. The adjustment to revenue is a £1.2 million reduction in 2016, and £6.4 million in 2015. A detailed reconciliation of the statutory to adjusted revenue adjustments is shown on page 133.

A reconciliation of statutory to adjusted operating (loss)/profit and to EBITDA, is provided below:

Reconciliation of statutory and adjusted results

	Operating (loss)/profit	
	Full year 2016 £m	Full year 2015 £m
Statutory Operating (loss)/profit	**(323.1)**	0.3
Adjustments		
Closure of titles/digital products	**0.2**	(0.4)
Accelerated depreciation	**0.5**	1.6
Pensions equalisation (including professional fees)[2]	**4.1**	-
Pension costs	**1.0**	1.5
Restructuring	**9.3**	9.4
Impairment[1]	**344.3**	35.2
i acquisition costs	**1.8**	-
Other costs	**4.0**	2.6
Other exceptional credits/gains on disposal	**-**	(1.0)
Adjusted Operating (loss)/profit	**42.1**	49.3
Depreciation and amortisation	**7.0**	6.7
EBITDA	**49.1**	56.0

1 Impairment includes publishing titles, print presses and property assets. Refer to impairment commentary in the Financial Review.
2 Pension equalisation includes £3.5 million of pension equalisation cost (Note 22) and £0.6m of associated legal and professional fees.

Financial reporting

The effect of IFRS standard changes that are applicable to annual periods beginning on or after 1 January 2017 are further described in Note 2.

Factors affecting future group performance

The performance of the Group will continue to be affected by the economic conditions in our markets, cyclical conditions, structural *and business-specific circumstances and economic trends including employment, property transactions, new car sales and the levels* of consumer and SME confidence. However, the outlook for the Group will also depend on a number of other factors, including:

- growing new digital revenues in the Group's existing market segments to offset print revenue decline;
- ability to adapt to customer requirements through new sales propositions and digital advertising channels;
- the impact of new entrants and competitors to the market;
- continually improving existing efficient operations through technology infrastructure and improved processes;
- further re-engineering of the cost base of the business;
- the level of investment required to support digital growth, and restructuring, and its impact on cash generation;
- impact on the sterling following Brexit impacting paper prices; and
- conclusion of negotiations with pension Trustees regarding annual pension contributions.

Five year summary

The Group's current level of debt reflects the residual debt left in the business following a period of acquisitions in the early 2000s.

The Group has continued to seek to reduce the level of debt despite experiencing revenue contraction, consistent with the wider newspaper publishing industry.

Action has been taken to offset a large part of the revenue decline experienced during the period through both growth of its digital business over the period and through cost reductions of over £100 million before investment in Digital of £28 million (representing over one-third of total costs at the beginning of the period).

Most recently the Group acquired the i as part of its strategy to create new revenue streams.

Performance history charts[1]

Revenues (£m)

Operating costs (including depreciation)[3] (£m)

EBITDA[4] (£m)

Net debt (£m)

[1] Financial information is presented on an adjusted basis.

[2] 2012 presented on an underlying basis after adjustment for the termination of News International print contract and daily to weekly/closed titles but not adjusted for subsequent disposals or closures.

[3] Depreciation 2012: £12.7m reducing to c £6.7m in 2015 and £7.0m in 2016.

[4] Operating profit margin increased from 17% to 19%.

Corporate Social Responsibility

Ensuring the sustainability of the business

As a major participant in the local media world, we continue to ensure that our business activities meet with key sustainability and efficiency principles. We look to promote corporate social responsibility throughout the Group. The interests of the environment as well as the future sustainability of the business also have an influence upon the Group.

Business ethics

We are ever-conscious of the importance of ensuring the development and implementation of ethical and non-discriminatory policies and strategies when dealing with employees, suppliers, subscribers, customers and shareholders.

We strive to operate our business in accordance with a code of ethics and have a range of policies for dealing with a number of key legal and compliance issues, such as anti-bribery requirements, corruption and conflicts of interest. This year we have also developed our Anti-Slavery Statement in line with the new requirements and which we will look to evolve and adapt in line with emergent best practice. Our Anti-Slavery Statement is set out on our website at www.johnstonpress.co.uk/investors/anti-slavery-statement.

The Group operates an Internal Editorial Governance Committee with the remit of ensuring effective compliance with the Independent Press Standards Organisation (IPSO) guidance and adjudications as well as all other relevant legislation and editorial guidance. The Committee regularly reviews relevant policies and procedures; it also feeds back to IPSO on behalf of the Group following regular consultation with the Group's Editorial Board. The editorial policies and procedures help to ensure that the business as a whole is able to effectively and consistently deal with relevant editorial issues. This continues to be an important objective for the business in addressing its commitment to responsible and ethical journalism. We believe that the relatively low numbers of adjudications upheld by IPSO in relation to the Group's publications help to demonstrate the effectiveness of our policies and procedures.

We are also focused on prioritising our digital rights and responsibilities, ethical conduct, as well as data security and privacy; and we strive to tackle challenging issues proactively by seeking to make our communications and processes simple, open and transparent.

Board responsibility

The Executive Directors hold responsibility for ensuring that the business addresses all issues relating to corporate social responsibility. They set the tone of the ethical strategy and measures adopted by the business and are assisted and guided by the Company Secretary. In particular, the Directors review the Corporate Social Responsibility Statement for the business and monitor key developments in corporate environmental, social and governance issues with a view to responding to changes in legislation, regulation and best industry practices. Moreover, relevant risks are also regularly assessed by the Board when conducting their ongoing risk analysis of the business.

Responsibility for the drafting, reviewing and compliance with the Group's human resources policies sits with the Group HR Director who reports directly to the Chief Executive Officer.

Diversity

We believe in equal opportunity, fairness and respect for all employees and our Diversity Policy promotes this culture. We recognise and appreciate the differences of age, gender, gender reassignment, marital or family status, race, nationality, ethnic origin, disability, religion and belief and sexual orientation. Our approach to diversity benefits our employees, our business, our customers, our suppliers, our shareholders and the communities we operate in. We are proud to have a diverse workforce that ensures we remain relevant and engaging within the communities we serve.

The age and gender profiles for our workforce are shown in the table below:

Gender	2016	2015	2016 %	2015 %
Female	**1,170**	1,434	**46.9**	50.5
Male	**1,325**	1,406	**53.1**	49.5
Total full time employees	**2,495**	**2,840**	**100.0**	**100.0**
Age group				
Under 30	**487**	542	**19.5**	19.1
30 to 39	**696**	798	**27.9**	28.1
40 to 49	**641**	738	**25.7**	26.0
50 to 59	**521**	605	**20.9**	21.3
Over 60	**150**	156	**6.0**	5.5
Total full time employees	**2,495**	**2,840**	**100.0**	**100.0**

Grade level	2016	2015	2016 %	2015 %
1	**7**	8	**0.3**	0.3
2	**8**	11	**0.3**	0.4
3	**17**	16	**0.7**	0.6
4	**55**	64	**2.2**	2.2
5	**248**	234	**9.9**	8.3
6	**574**	593	**23.0**	20.9
7	**755**	928	**30.3**	32.7
8	**831**	986	**33.3**	34.6
Total full time employees	**2,495**	**2,840**	**100.0**	**100.0**

Car fleet

Our car fleet is partly owned (6%) and partly leased (94%) and we continue with the transition towards a fully-leased fleet. The leased cars are newer and more efficient in terms of fuel emissions and the transition to a leased fleet has a role to play in improving our environmental performance.

We have continued to implement our policy of utilising, where possible, vehicles with lower fuel emissions.

We are also keen to pursue our strategy of providing training initiatives for our car drivers and aim to work with our car fleet insurers in order to support future training needs and objectives.

Community involvement

We work hard to nurture the trust and loyalty our customers place in us and are proud of the role our titles continue to play in our communities.

Through fund-raising and awareness initiatives, sponsorship, hard-hitting campaigns, awards ceremonies to recognise and support local businesses and an unfailing dedication to providing the latest news, features, sport and entertainment, our newspapers and websites remain at the heart of the communities we serve.

As always, our brands supported dozens of causes and championed numerous campaigns throughout 2016, from the Save Our Red Phone Boxes campaign across our titles in Sussex to the Giving The Gift Of Life initiative run by the Lancashire Post. The former is a *campaign being run in conjunction with Sussex Heritage to save the iconic and much-loved red public telephone boxes, increasingly* under threat from the development of mobile technology, neglect and vandalism. The campaign, which launched in December, has already garnered the support of local councils across the region with our titles being praised for the role they are playing in saving these very British booths.

The Lancashire Post campaign launched in January 2016 with the aim of spurring on an extra 2,016 people to sign up as organ donors during 2016.

The title ran inspirational stories of those who had received donated organs and highlighted that 55 people from Lancashire had died in the past five years while waiting for an organ transplant.

Incredibly, more than 10 times that hoped-for number signed up to the NHS Organ Donor Register, with 28,861 people joining from Lancashire alone. Organ donor chiefs praised the Lancashire Post for the campaign. Ben Armstrong, a specialist nurse in organ donation at NHS Blood and Transplant, says: 'The Lancashire Evening Post's campaign to promote organ donation will have inspired many people to join the NHS Organ Donor Register which is fantastic news.'

The Yorkshire Post marked the second anniversary of the launch of the Loneliness: The Hidden Epidemic campaign with a new drive to urge readers to donate a combined 2,016 hours of their time to the Royal Voluntary Service – which runs dozens of services to combat loneliness and social isolation across Yorkshire. The Yorkshire Post has been campaigning to highlight the issue of loneliness and social isolation since February 2014.

For the third year running the campaign made the shortlist of Local Newspaper Week's 'Making a Difference' award, which was won by the campaign in 2014 and shortlisted again in 2015.

In Scotland, The Falkirk Herald ran a campaign in the run-up to Christmas called 'Feed a Family', that asked people to support the local food bank by buying extra food to donate to families in need over the festive season. The response was phenomenal with the food bank overwhelmed by the support they received.

The Fife Free Press threw their weight behind a campaign to support a local charity bookshop after a reader's letter was published appealing for donations. The title turned it into a story and the appeal allowed the Fife Shopping and Support Service to fill their shelves in just two weeks. The appeal was so successful that the shop was able to give some of the donated books to other charity shops.

Corporate Social Responsibility continued

Employee involvement

We employ nearly 2,500 people in the UK and our aim is to attract, retain and engage the best people. The Company aims to be a great place to work and continued activity to embed our values, mission and purpose throughout 2016.

The latest YourSay employee survey, which was originally launched in January 2013, was conducted in late 2016. Our senior leaders are making tangible improvements within their teams on the back of the survey findings and we will build on this in 2017. We always aim to take a transparent approach to internal communications and engagement, including within our Editorial and Commercial transformation programmes. Key priorities included identifying and developing leadership talent at all levels and succession planning.

Our expectations in terms of managers' and employees' behaviour and standards are set out in our Value Statements, Personnel Policies and Procedures, Employee Handbook, Codes of Conduct and Contracts of Employment. Our grievance and whistleblowing procedures allow any employee to report behaviour that is contrary to our policies or is in any way of concern to them and we communicated the support available around whistleblowing periodically throughout the year.

We recognise a number of trade unions at an operating company level and remain committed to communication and consultation with our employees during times of change.

A diverse workforce adds clear value for our employees, customers, shareholders and the communities we serve and we fully support the principle of equal opportunity for all. Our Disability Access policy is included in our Personnel Policies and Procedures manual. As part of our ongoing Health and Safety audits and property maintenance programmes, we seek to provide suitable access and working environments to ensure that we do not discriminate against disabled employees or customers.

Environmental policy

We aim to continue to review the Group's operations with a view to minimising any impact upon the environment. In the year, our Portsmouth print site's environment management systems were certified to the international ISO 14001 standard. Our Dinnington site achieved this certification in 2015 and had a successful recertification audit in 2016. The Group's other print site, at Carn in Northern Ireland, is looking to achieve similar accreditation in 2017.

Energy consumption and carbon footprint

We encourage staff to adopt a number of key measures with the aim of driving down, where possible, the Group's overall energy consumption levels. Such measures include discouraging non-essential travel by staff thereby helping to reduce our carbon footprint; improving our car fleet in order to strive towards greener transport as well as ensuring that waste levels are monitored and kept to appropriate standards and in line with key performance indicators.

In 2016, the Group reduced consumption of gas by 19% and electricity consumption by 12%, including consumption by the i. The i was acquired in April 2016 and accordingly data has been incorporated from the date of acquisition. The reduction in gas and electricity consumption is due to the Groups continued property estate rationalisation including downsizing and moving into more energy efficient premises. In addition, a number of energy efficient projects have also been implemented in the year, resulting in significant savings in consumption at the Group's print sites.

The Group's indirect greenhouse gas emissions increased by 1,368 tonnes in the year (29.4%), due to increases in contracted printing and long haul fuel; which have increased following the acquisition of the i. The estimated increase due to the incorporation of emissions associated with the i is 1,973 tonnes year-on-year.

The Company has continued to participate in phase 2 of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, and also operates Climate Change Agreements (CCA) for its two larger print sites.

A breakdown of the Group's energy consumption and associated greenhouse gas emissions during 2016 is set out in the table on page 35.

Supply chain

Paper sourcing and sustainable forestry

Johnston Press is committed to maximising its use of newsprint from sustainable renewable sources, carrying the Forest Stewardship Council (FSC) certification. 70% of newsprint is supplied from the UK-based paper mills (up from 60% in 2015), reducing transportation and associated carbon footprint. Virtually all of the remainder is sourced from the near continent. All UK mills are supplying newsprint from 100% recycled newsprint recovered from kerbside collection points and wholesaler returns.

As a member of the Newspaper Industry Materials Committee, which is part of the News Media Association (NMA), the Group also participates in both environmental and energy saving initiatives in the manufacture and supply of materials needed for the production of newspapers. It also supports the Two Sides campaign, a pan-European body responsible for the promotion and responsible use of paper products. This promotes the use of sustainable and reusable products in the newspaper industry.

Contracted printing and product distribution services

Johnston Press contracts out the printing of magazine supplements and some newspapers and their distribution by road of printed products. We require our key contractors to these areas to measure and report the energy consumption and carbon emissions associated with the operations they undertake on our behalf. Wherever possible we prefer to work with suppliers that are independently certified to a recognised environmental management system standard.

Waste management and recycling

The Group always strives to ensure that its actual supply of recycled paper is higher than the government guidelines and the industrywide statistics reported in this regard. The Group recycles all its paper and non-paper waste stream through audited environmental companies. These processes have been in place for several years and are in accordance with the Environmental Protection Act and Hazardous Waste Regulations and are ISO 14001 accredited. The Group also complies with the packaging waste regulations in the disposal of non-hazardous materials used in the packaging of its products.

Redundant IT equipment is collected for recycling in line with the relevant regulations. This process is carried out by our partners who are ISO 27001 and ISO 14001 compliant as well as being ADISA accredited. The ADISA (Asset Disposal and Information Security Alliance) Industry standards have the primary objective of measuring a service providers' capability for providing secure asset recovery and data sanitisation services to businesses.

Energy consumption and associated greenhouse gas emission (CO_2 equivalent)

	Consumption		GHG emissions (CO_2 equivalent tonnes)		
	2016	GHG conversion factor (2016)[4]	2016	2015[5]	2014[5]
SCOPE 1[1]					
Gas combustion (heating at Johnston Press premises)	2,915,251 kWh	0.18400 x 10^3	**536**	664	1,666
Oil combustion (heating at Johnston Press premises)	15,800 litres	3.18058 x 10^3	**50**	58	92
Passenger vehicles (owned or controlled by Johnston Press)	5,147,240 km	0.17741 x10^3	**913**	933	1,235
Commercial vehicles (all Johnston Press owned vehicles)	50,879 km	0.26578 x10^3	**14**	57	202
Total SCOPE 1			**1,513**	1,711	3,196
Total SCOPE 1 - Per million pages printed			**0.05**	0.06	0.10
SCOPE 2[2]					
Generation of grid electricity used/(kWh)	16,120,701 kWh	0.41205 x10^3	**6,643**	8,480	9,622
Total SCOPE 2 - Per million pages printed			**0.45**	0.51	0.58
SCOPE 3[3]					
Transmission and distribution of grid electricity used	16,120,701 kWh	0.03727 x 10^3	**601**	700	841
Business travel (passenger vehicles not owned or controlled by Johnston Press)	1,903,684 km	0.17741 x10^3	**338**	482	854
Business travel (air)	753,376 km	0.27867 x10^3	**210**	259	204
Business travel (rail)	1,812,025 km	0.04885 x10^3	**89**	152	120
Electricity for contracted printing (generation transmission and distribution)	4,171,732 kWh	0.44932 x10^3	**1,874**	763	945
Vehicle fuel for contracted distribution - long haul	1,111,243 Litres	2.61163 x10^3	**2,902**	2,289	2,302
Total SCOPE 3 - Per million pages printed			**6,013**	4,646	5,267
Overall total SCOPE 1, 2 and 3			**14,169**	14,837	18,085
Overall total SCOPE 1, 2 and 3 per million pages printed			**0.45**	0.51	0.58

Notes:

1 Scope 1 covers the annual quantity of emissions in tonnes of carbon dioxide equivalent from emission sources that are under the operational control of the Company.

2 Scope 2 covers the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity by Johnston Press for its own use. In line with the latest guidance from Defra emissions from the generation of electricity used are included in Scope 2, whilst emissions associated with the transmission and distribution of electricity used are included in Scope 3.

3 Scope 3 covers other indirect greenhouse gas emissions, i.e. where the emissions are from sources that are not owned by Johnston Press and where the Company does not have operational control.

4 UK Government Conversion Factors for Company Reporting have been used throughout.

5 Greenhouse gas emissions associated with electricity consumption have been restated for previous years to account for material changes to the conversion factors provided by the government for Company reporting purposes.

Corporate Social Responsibility continued

Health and safety

The Group is committed to providing safe working conditions for all our employees, visitors and contractors, and we are proud to report that our safety performance continues to demonstrate one of the lowest reported accident figures in our industry.

In 2016, we achieved an accident rate of 0.7%, compared to 0.9% in the prior year – see table below.

Over the last five years we have significantly reduced our accident rate from 2.6% of all employees involved in accidents down to this year's 0.7%. Likewise we have reduced our RIDDOR reportable accidents from 18, five years ago, to going the full year in 2016 without any reportable accidents.

We believe that our focus on addressing the causes of accidents – and our insistence on adhering to best practice and procedures – has played a significant part in our improved performance in recent years. Although we are proud of this achievement, our work will continue to ensure every effort is made to maintain this record. The Company has Health and Safety Committee meetings throughout key operational areas and these are chaired by each area's senior representative and the local health and safety managers, who ensures all actions are effectively completed. This is monitored by the Group Health and Safety Manager.

The Board has overall responsibility for health and safety and receives regular reports in this regard with operational responsibility delegated to the Chief Executive Officer. In addition, we have a Group Health and Safety Committee made up of representatives from key areas across the business and chaired by the Company Secretary.

The Committee, in conjunction with the Group Health and Safety Manager, instructs and reviews audit visits, monitors compliance with Group policies, ensures those policies are kept up-to date-and encourages best practice. The Group Health and Safety Manager coordinates independent audits of all our main sites and works closely with the local health and safety managers and each of the site Health and Safety Officers to ensure effective performance, and this, once again, has helped all sites to improve their scores in our rolling programme of internal audit inspections.

Our consistent reporting processes have now been in place for more than 10 years allowing performance over time to be measured and ensuring that every accident is reported and any identified actions are completed. This is a key part of our control environment.

Accident statistics

	2016	2015
Average full time employees	**2,495**	2,840
No. of employees involved in accidents	**18**	26
Publishing	**0.3%**	0.8%
Printing	**0.4%**	0.1%
Total	**0.7%**	0.9%
Employees involved in RIDDOR[1] reportable accidents	**zero**	1
Publishing	**0.00%**	0.04%
Printing	**0.00%**	0.00%
Total	**0.00%**	0.04%
Total working days lost	**zero**	7

1 RIDDOR is the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

Approval

This strategic report was approved by the Board of Directors on 29 March 2017 and signed on its behalf by:

Camilla Rhodes

Camilla Rhodes
Interim Chairman
29 March 2017

Chairman's Introduction to Corporate Governance

In 2016 the Board continued to maintain its focus on the Company's strategic priorities and the risks associated with them

This report forms part of the Directors' Report which can be found on pages 68 to 72. The Company has continued in its commitment to comply with the principles of the 2014 United Kingdom Corporate Governance Code ('the Code') as published by the Financial Reporting Council (https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf). The 2014 edition of the Code applies for financial years starting on or after 1 October 2014 and introduced further reporting requirements for premium listed companies. It is the Board's view that throughout the period ending 31 December 2016 the Company has been fully compliant with the relevant main and supporting principles set out in the Code. Due to the resignation of Ian Russell, the former Chairman, at the end of 2016 and my appointment as Interim Chairman since 1 January 2017 the Company has not complied with the Code provision that at least half the Board (excluding the Chairman) should consist of independent Non-Executive Directors. The steps we are taking to address this are laid out in the Corporate Governance Report starting on page 40. The Board and Executive Management monitor compliance with the Code and details of the Group's internal controls can be found on page 44. The 2016 version of the Code will apply to the Company for the year commencing 1 January 2017.

During 2016 the Board has continued to maintain its focus on the Company's key strategic priorities and the risks associated with them during the current transformation of the Company and its provision of local media services during a period of ongoing structural change within the media and advertising sectors. Throughout this period the Company has continued to consult with its largest shareholders on a range of issues. The agreements governing the Group's debt structure include various information requirements to holders of its bonds and lenders under its revolving credit facility which we complied with throughout the year. The revolving credit facility was subsequently cancelled in January 2017 under an agreement with the relevant lenders. This report on corporate governance is intended to give shareholders some detail of the structures which the Company has operated under in the past year. We remain committed to the principles of good governance and, as a Board, seek to regularly review not only the effectiveness of our Board and committees but also the wider corporate governance framework within which we operate. We do so with the aim of ensuring that the Group as a whole is managed effectively and transparently. The report which follows provides more detail of the workings of the Board, including the matters reserved to it and to the evaluation process which we use to review (and where necessary improve its effectiveness.

Our Remuneration Policy was put to shareholders for the first time at the Annual General Meeting in 2014, receiving strong support from our shareholders. A new policy will be presented to shareholders for approval at the Annual General Meeting in 2017. You can find details of the proposed new remuneration policy, and our implementation of the current policy, in the Directors' Remuneration Report on pages 49 to 50.

The Audit Committee maintains its central role in monitoring the Group's systems of internal controls and risk framework and a separate report on the work of the Audit Committee can be found on pages 47 to 48.

The views of both our shareholders and other providers of capital are welcomed on governance issues and play an important role in shaping our structures and our reporting of them. We aim to reflect their feedback and advice in our reporting.

We will continue to seek to ensure that the Board has an appropriate mix of skills and experience. This will remain a paramount consideration when recruiting new Directors to the Board at the appropriate time and is a key measure in ensuring that our governance structures remain appropriate for the Group. The Group continues to strive to reflect the communities in which we work and to have regard to the benefits of a diverse workforce. We always seek to provide information on this, and details of many of our other community and social initiatives can be found in the Corporate Social Responsibility Report on pages 32 to 36.

Camilla Rhodes

Camilla Rhodes
Interim Chairman
29 March 2017

Board of Directors

	Camilla Rhodes Interim Chairman	**Ashley Highfield** Chief Executive Officer	**David King** Chief Financial Officer	**Mike Butterworth** Non-Executive Director
Biography	Camilla was the former Chief Executive Officer of News Magazines Ltd and Managing Director of Times Newspapers and News Group Newspapers, News International.	Ashley was previously Managing Director and Vice President of Microsoft. Director of New Media and Technology at the BBC (where he oversaw the launch of the iPlayer) and Managing Director of Flextech (now Virgin Media) Interactive.	David is a Chartered Accountant. Previously he was CEO of Time Out Group and Chief Financial Officer at BBC Worldwide.	Mike is a Chartered Accountant and former Group Finance Director of Cookson Group plc, a FTSE 250 business, and Incepta Group plc.
Term of office	Joined the Board in 2009.	Joined the Board in November 2011.	Joined the Board in June 2013.	Joined the Board in June 2016.
Independent	Yes.	Not applicable.	Not applicable.	Yes.
External appointments	No other appointments held.	Non-Executive Director of William Hill plc and Governor of the British Film Institute until December 2015. Non-executive Chair of The News Media Association since December 2015.	Non-Executive Director of the Regulatory Funding Company.	Senior Independent Director and Chairman of the Audit Committee of St Ives plc, and is also a Non-Executive Director and Chairman of the Audit Committee of Stock Spirits Group plc and Cambian Group plc.
Committee membership and other roles	Chair of the Remuneration Committee. Member of the Audit Committee and Member (and Interim Chair) of the Nomination Committee.	Not applicable.	Not applicable.	Interim Senior Independent Director and Chair of the Audit Committee. Member of the Nomination and Remuneration Committees.

Ralph Marshall Non-Executive Director	**Kjell Aamot** Non-Executive Director	**Peter McCall** Company Secretary
Ralph is a former Executive Director of Usaha Tegas Sdn. Bhd.	Kjell was formerly the Chief Executive Officer of Schibsted ASA, the largest Scandinavian newspaper publisher.	Peter joined Johnston Press plc as Company Secretary and Corporate Counsel in 2009. Previously Company Secretary of Kenmore Property Group Ltd and Deputy Company Secretary of British Energy Group plc.
Joined the Board in 2008.	Joined the Board in 2010.	Not applicable.
No.	Yes.	Not applicable.
Serves on the Board of KLCC Property Holdings Berhad and Astro Malaysia Holdings Berhad.	Advisor to FSN Capital and Cexense (both based in Norway.	No external appointments held.
Member of the Nomination Committee.	Member of the Audit, Nomination and Remuneration Committees.	Secretary to the Audit, Nomination and Remuneration Committees.

Corporate Governance

The role of the board

The Board, in its commitment to effectively operate and lead the Company, held ten Board meetings in 2016. Where necessary, the Chairman meets privately with the Non-Executive Directors before scheduled Board meetings. If unable to attend a meeting, Directors are encouraged to give their views and comments on matters to be discussed to the Chairman in advance. Attendance at meetings throughout the year by each of the Directors is shown on page 41. All Directors are encouraged to share the benefit of their knowledge and experience and the Board's evaluation process assesses their contribution each year.

Throughout the year the Board has played a key role in monitoring and evaluating the development of the Group's strategy. The Company's business model is described on pages 12 to 13. The Board reviews the performance of management in meeting the agreed objectives and goals and monitors appropriate remuneration levels. The Group's management development and succession plans are scrutinised by the Board to ensure that the skills and competencies of management correspond to the Group's requirements. At least one Board meeting each year is wholly devoted to strategy and to the consideration of a plan for the long-term growth and development of the Group. This is reviewed and discussed as appropriate at the other Board meetings held during the year.

The Board's primary task is to ensure that the Company (and its wider group of subsidiaries) have sufficient financial resources and talent in order to meet its core objectives by:

- reviewing and approving the overall Group strategy and direction;
- approving the financial statements, as well as revenue and capital budgets;
- setting, implementing and maintaining audit processes and risk management policies, to ensure the effective operation of the Company;
- the approval of material agreements and projects; and
- reviewing and approving of remuneration policies.

In addition to the normal agenda at Board meetings, which is described below, the Directors usually consider one or more operational or special topics at each meeting. During the last 12 months such topics have included:

- business risks;
- regulatory trends and developments;
- significant acquisitions and disposals;
- sales transformation projects;
- strategy for paid for newspapers;
- business and website development;
- development plans for major titles;
- advertising revenues;
- display advertising;
- property portfolio;
- strategy for information technology;
- digital revenues and publishing;
- talent and human resource requirements;
- the Company's final salary pension scheme;
- new product offers;
- Board Committee terms of reference;
- asset disposal plans and future industry developments;
- acquisition and integration of the i newspaper;
- planning for the future of the Group, including refinancing options for the bond repayment in June 2019;
- disaster recovery plans; and
- health and safety.

The authority of the Directors is specified in relevant legislation and in the Company's Articles of Association which include powers concerning the issue and buy back of the Company's shares, subject to the authority of its shareholders. At its Annual General Meeting in 2016 the Company sought authority to make purchases of its own shares. Board members also have respective commitments to the Audit, Nomination and Remuneration Committees. In 2016 there were four scheduled meetings of the Audit Committee, five Nomination Committee meetings, and the Remuneration Committee held six meetings.

Board attendance

The following table indicates Director's attendance during the year:

Scheduled meetings	Board (10)	Audit Committee (4)	Nomination Committee (5)	Remuneration Committee (6)
Ian Russell[1]	10	-	5	-
Ashley Highfield	10	-	-	-
David King	10	-	-	-
Mark Pain[2]	6	3	2	3
Ralph Marshall[3]	9	-	5	-
Camilla Rhodes	10	4	5	6
Kjell Aamot[4]	10	4	4	3
Stephen van Rooyen[5]	4	-	1	1
Mike Butterworth[6]	4	1	2	2

1 Resigned on 31 December 2016. Attended all Board and Committee meetings prior to his resignation.
2 Resigned on 31 August 2016. Attended all Board and Committee meetings prior to his resignation.
3 Missed one Board meeting due to a conflicting business commitment.
4 Missed one Nomination Committee meeting due to a conflicting business commitment.
5 Resigned on 18 May 2016. Missed one Board meeting, and two meetings of the Remuneration Committee due to conflicting personal or business commitments.
6 Joined the Board on 1 June 2016. Missed one Board meeting and one Audit Committee meeting which were held on the same day (prior to becoming chair of the Audit Committee) and one subsequent meeting of the Nomination Committee, all due to conflicting business commitments which pre-dated his appointment to the Board.

During the year, the Company kept the membership of the Board and Committees under review. Following Mr van Rooyen's departure from the Board at the Annual General Meeting, Mr Aamot joined the Remuneration Committee. Mr Butterworth joined the Audit Committee in June 2016 and the Remuneration Committee in September 2016. The Company believe that the current mix of individuals is appropriate and that the Committees work well.

Board responsibilities

The Board maintains a formal schedule of matters specifically reserved to it for discussion and decision making, including future strategy, acquisitions and disposals, dividend policy, approval of the Annual Report and Accounts, capital expenditure and contractual commitments in excess of certain limits, trading and capital budgets and Group borrowing facilities. The schedule was most recently reviewed during 2015. At each of its scheduled meetings during the year, the Board considered and scrutinised management reports from the Chief Executive Officer and the Chief Financial Officer which also feature contributions from their senior direct reports (the "Executive Report"). Each Executive Report addresses performance against a number of key strategic objectives as well as providing additional information regarding business performance and market and other key issues. The minutes of the Board and Committee meetings are circulated to all Board members. The Company Secretary is responsible to the Board for the timelines and quality of information provided to it. Day-to-day management of the Group, including implementation of strategy and operational decisions relating to digital and print publishing, online products, printing and human resources, are delegated to management. The Executive Management Committee, consisting of the Executive Directors and seven other senior managers (all of whom are men) from across the Group, meet weekly to review performance and consider operational issues.

The Board acknowledges the division of responsibilities for running the Board and managing the Company's business. Ian Russell served as Non-Executive Chairman throughout the year and stepped down from the Board on 31 December 2016 due to an acute illness in his family. Camilla Rhodes became Interim Chairman on 1 January 2017. The Company is in the process of appointing a new Chairman. The Chairman is responsible for the leadership of the Board, for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues as well as ensuring effective communication with shareholders. It is also primarily the Chairman's responsibility to promote a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensuring constructive relations between Executive and Non-Executive Directors. There were no significant changes to the external commitments of the Chairman during the year.

As part of their role, Non-Executive Directors constructively challenge and help develop proposals on strategy. In addition to at least one Board meeting each year being dedicated to strategy, key strategic objectives are reported to the Board in the Executive Report and they also receive regular reports and presentations on key strategic initiatives and issues. They satisfy themselves on the integrity of financial information and that internal controls and systems of risk management are robust and defensible. The work and reports of the Audit Committee are used to assist the Board in this process. Through the Remuneration Committee they are responsible for determining appropriate levels of remuneration of Executive Directors and, through the Nomination Committee, have a prime role in appointing and, where necessary, removing Executive Directors and in succession planning.

Corporate Governance continued

Mark Pain served as Senior Independent Director until 31 August 2016 when he was succeeded by Mrs Rhodes. While she fulfils the role of Interim Chairman, Mike Butterworth has undertaken the role of Senior Independent Director on an interim basis. The Senior Independent Director is available to address any concerns that shareholders may have that have not been resolved through the normal communication channels of the Chairman or Executive Directors. During 2016, the Audit Committee was chaired by Mark Pain until he left the Board on 31 August. He was succeeded as Chairman of the Committee by Mike Butterworth. Throughout the year the Nomination Committee was chaired by Ian Russell, and the Remuneration Committee by Camilla Rhodes. Since 1 January 2017 the Nomination Committee has been chaired by Camilla Rhodes on an interim basis. The terms of reference of each of the Board's Committees were reviewed by the Board during 2016 and the terms are displayed on the Company's website. Membership of each Committee is noted on pages 38 to 39.

Board balance and independence

Throughout the period ended 31 December 2016, the Company complied with the requirement of the Code that at least half of the Board (excluding the Chairman) should consist of independent Non-Executive Directors. Of the Company's current six Directors, two are Executive and the remainder Non-Executive, of whom two (Kjell Aamot and Mike Butterworth) are regarded as independent. Camilla Rhodes, although considered to be independent by the rest of the Board, is currently acting as Interim Chairman. Ralph Marshall was appointed to the Board as the nominee Director of Usaha Tegas which owns 10.63% of the Company's issued ordinary share capital. He is therefore not regarded as independent. Due to Mr Russell's resignation and Mrs Rhodes' appointment as Interim Chairman, the Company is currently not in compliance with the requirement of the Code that at least half of the Board (excluding the Chairman) should consist of independent Non-Executive Directors. The Company is undertaking a process (supervised by the Nomination Committee) to appoint a new Chairman and will seek to return to a position of compliance with the Code. Details of each Director are provided on pages 38 and 39. The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during office hours and for at least 15 minutes prior to the Company's Annual General Meeting at the place where that meeting is held.

Board Committees

The reports of the Audit Committee and the Remuneration Committee can be found on pages 47 to 48 and 49 to 50 respectively.

Nomination Committee

Reporting to the Board, the Nomination Committee's duties include regularly reviewing the structure, size and composition of the Board, seeking suitably skilled and experienced candidates as Non-Executive Directors with sufficient time to devote to the role and overseeing all Board appointments. In doing so the Committee also considers the Company's succession planning for Executive Directors and senior managers, to ensure that adequate plans are in place to protect against the loss of key staff, as well as reviewing the composition of the Board and its committees. The Committee is satisfied with the effectiveness of the management succession plans currently in place. The Board has now recommenced the process for renewal of its membership and, as explained above under 'Board balance and independence' anticipates the appointment of a new Chairman during 2017 following the decision of Mr Russell to step down from the Board. Ralph Marshall will not seek re-election at the forthcoming Annual General Meeting. We are in discussions with Usaha Tegas, the shareholder who appointed Mr Marshall regarding the identity of their new nominee and expect to make an announcement shortly. In considering candidates to fill Board vacancies, the Nomination Committee has regard to the benefits of and the need to encourage, diversity (including gender) within the Board's membership; this is a specific consideration of the recruitment process and is included in the Committee's terms of reference. The Company operates a diversity policy which commits it to equal opportunity, fairness and respect for all and opposes discrimination on grounds of gender, gender reassignment, age, marital or family status, race, nationality, ethnic origin, disability, religion or belief or sexual orientation, or other factors that are immaterial to a person's ability to do their job. The Board has adopted a diversity policy which provides set measurable objectives for diversity amongst Board members (including a target for female Board membership of 25% by 2019). The Nomination Committee is responsible for the implementation of this policy and monitoring progress towards the achievement of its objectives. Once the requirements of a vacant role have been determined, the Committee may appoint external recruitment consultants to assist with the search who will also consider diversity in identifying suitable candidates. External recruitment consultants engaged for this purpose have no other connection with the Company. The Company Secretary acts as secretary to the Committee.

Disclosure Committee

Although not a Committee of the Board, the Company established a Disclosure Committee in 2016. The Disclosure Committee meets on an ad hoc basis when required and its primary role is to evaluate whether information communicated to it by members of staff of the Company or the wider Group or otherwise in the Company's possession constitutes inside information. The membership of the Committee consists of the Chairman, Chief Executive Officer, Chief Financial Officer, Company Secretary and Group Business Development Director.

Induction and professional development

The Company has an induction programme that it makes available to new Directors. This can be tailored to specific requirements and includes visits to a range of the Group's operations where appropriate, and meetings and discussions with senior management and advisers.

All Board members have access to independent advice on any matters relating to their responsibilities as Directors and as members of the various Committees of the Board. The assistance of the Company Secretary is available to all Directors for all matters connected to their duties. Directors receive regular reports from Executive Management. They are also sent regular updates on industry-related issues.

Training

Training is undertaken by Directors during the year including on industry-specific governance and technical issues. The Company encourages Non-Executive Directors to visit at least two of the Group's operational centres each year. During site visits they receive a presentation and a tour of the relevant business. Individual Directors also make arrangements to attend a range of seminars presented by professionals throughout the year. When the Non-Executive Directors meet without the Executive Directors present, the balance of skills on the Board (which includes training needs) is one of the standard topics for the Board to consider, both individually and collectively.

Board performance evaluation

Under the provisions of the Code, evaluation of the boards of FTSE 350 companies (which does not include the Company) should be conducted externally every three years. The Board decided that it was appropriate to undertake an externally facilitated evaluation during 2014 and engaged Armstrong Bonham Carter to undertake this. The findings of the evaluation were reported in 2015 and formed the basis of an action plan conducted in 2015. During 2016 the Board conducted a rigorous evaluation of its own performance and that of each of its Committees. This involved the completion of a self-assessment questionnaire by the Directors, covering the performance of the Board, individual Directors, the Company Secretary and Board Committees. Other topics included the conduct of meetings, the provision of information, relationships, strategy, training, progress against the outcomes from the 2016 self-assessment evaluation exercise and the overall effectiveness of the Board. The composition and chairmanship of each Committee was reviewed together with its fulfilment of its role as outlined in its terms of reference, its reporting and overall performance.

The topics which the evaluation exercise addressed provided the Board with an analysis of the performance of its key duties and, as has been the case with previous evaluation exercises, identified a number of specific areas where change could be beneficial to the Company and to the conduct of the Board and/or one or more Committees. These have been used to prepare an action plan for the Board and is being used to assist in the planning of the Board's business. In particular, the Board agreed to monitor whether there was a requirement to recruit additional non-executive directors given changes to its composition during 2016, to hold additional meetings on special topics when required and to make changes to the presentation of certain information to the Board. Although specific areas were identified for change, overall the process was positive and confirmed the effectiveness of the Board and relevant Committees as well as the contributions of individual Directors. As a separate measure, the Non-Executive Directors meet without the Chairman present at least annually to review his or her performance.

Dialogue with institutional shareholders

The Board encourages and seeks to build a mutual understanding of objectives between the Company and its institutional shareholders and other providers of capital. As part of this process, the Chief Executive Officer and Chief Financial Officer make twice-yearly presentations to institutional shareholders and meet with shareholders and other investors to discuss any issues of concern and obtain feedback. In addition, investors can request a meeting with the Chief Executive Officer and Chief Financial Officer throughout the year to highlight any significant concerns.

The Chairman personally contacts the leading investors in the Company on at least an annual basis to address any concerns and discuss any issues. The Board receive a report with regard to any discussion with shareholders and also have circulated to them the written feedback that follows the full-year and the half-year results presentations. Brokers' reports and analysts' briefings, when available, are included in the Board papers sent to the Directors in advance of meetings. The Board receives a quarterly update on the shareholder register with a summary of the main movements in shareholdings since the previous report. It also receives regular updates from the Company's brokers, Panmure Gordon and Liberum.

Members of the Board offer to meet with institutional shareholders to consider Corporate Governance matters. All the Non-Executive Directors are prepared to meet with shareholders to understand their views more fully or to address concerns.

The Company has certain compliance obligations concerning its obligations to providers of its debt and liaises with those providers or agents representing them when appropriate.

Annual General Meeting

The Board seeks to encourage shareholders to attend its Annual General Meeting. It is the policy of the Board that all Directors should attend the Annual General Meeting and be available to answer shareholders' questions unless unable to do so. The Company uses the Annual General Meeting to communicate with private investors and encourages their participation. All Directors attended the Annual General Meeting in 2016. In 2016, the notice of the Annual General Meeting and related papers were sent to shareholders more than 20 days before the meeting.

Share capital

Information on the Company's share capital is provided in Note 25 of the financial statements.

Corporate Governance continued

Board re-election

Under the provisions of the Company's Articles of Association, all Directors are subject to election at the first Annual General Meeting after their appointment and thereafter to re-election every three years. The Company is not currently a member of the FTSE 350 Index of companies and is therefore not required to comply with the provision of the Code which requires all directors of companies in that index to be subject to annual re-election. However, the Board considers that it is appropriate that all Directors who wish to continue in office stand for annual re-election (as they have done since 2013), and accordingly the Board has recommended that resolutions will be proposed at the forthcoming Annual General Meeting for the re-election of all of the current Directors who have indicated that they wish to continue in office. The Nomination Committee have, following the formal evaluation process described above, considered the performance of each of those Directors who wish to stand for re-election at the 2017 Annual General Meeting and are satisfied that those individuals' performance continue to be effective and that they have demonstrated a clear commitment to their roles.

Separately during the course of the year, the Non-Executive Directors met without Ian Russell to review his performance as Chairman and were satisfied that he continued to provide the necessary leadership and effectiveness for the role and demonstrated an ongoing commitment during his period in office. An equivalent exercise will be conducted in 2017.

Financial reporting

The Board is committed to presenting appropriate information about the Group's financial position by complying with best practice and all standards issued by the International and UK Accounting Standards Boards relating to the disclosures which are included in this Annual Report.

Internal control

The Board has applied principle C.2 of the Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces and establishing a sound risk management and internal control system. The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with Guidance on Risk Management and Internal Control and Related Financial and Business Reporting published by the Financial Reporting Council. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

In compliance with Provision C.2.1 of the Code, the Board regularly and robustly assesses the principal risks facing the Company and reviews the effectiveness of the Group's risk management and system of internal control and did so during 2016 and on an ongoing basis. The Code's requirements have been integrated into the Company's current risk management process to enable the appropriate Board reviews to be undertaken to allow continued compliance. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management, and is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses or emerging issues are promptly remedied or indicate a need for more extensive monitoring. The Board has also performed a specific assessment prior to the completion of this Annual Report. This assessment considers all significant aspects of internal control arising during the period covered by the report including the work of the Finance Department. The Audit Committee assists the Board (which maintains responsibility in this regard) in discharging its review responsibilities.

During the course of its review of the system of internal control, the Board has not identified or been advised of any failings or weaknesses which it has determined to be significant in the context of the Group. Therefore a confirmation in respect of necessary actions has not been considered appropriate. The key elements of the ongoing continuous process during the period under review have been:

- Formal Board reporting on a bi-monthly basis of the Group's performance and on any emerging risks and issues. The Company's management accounts break down the results of the Group's operations. All significant variations against budget and the previous year are fully examined. The day-to-day responsibility for managing each of the Group's operations rests with experienced senior executives and the Group has a clear organisational structure which includes appropriate delegation of authority (which was reviewed in 2015). The Executive Directors ensure that regular contact is maintained with all senior executives. The following issues are amongst those formally reserved to the Board:
  - approval for unbudgeted capital expenditure over £1 million and for other investment decisions;
  - approval of the annual budget for the forthcoming financial year. This includes detailed and comprehensive budgets covering each operating business;
  - reporting of the key operational departments' future strategy as part of the operational topics considered at Board meetings during the year; and
  - review by the Audit Committee (with subsequent reporting to the Board) on a six-monthly basis of the work performed by the Finance Department (including in respect of internal audit issues with respect to internal financial controls, the programme for which is agreed in advance). This work is supported by the Group's financial accounting centre which ensures a consistent and compliant approach to the processing of transactions and ensures a uniform control process across the Group's operations.

The Company conducted a detailed internal review of risk during 2015 which was reviewed and updated in 2016 and which formed the basis for ongoing internal monitoring and review of risk. The Group's key risks are regularly considered by the Executive Management Committee and members of that Committee have responsibility for individual risks and the identification of emergent risks. The Board is provided with regular updates in respect of these. The Audit Committee has an oversight and monitoring role in relation to risk management and reviews the form of internal controls which the Company operates. It reports its findings to the Board on a regular basis following its meetings. The Board maintains ultimate responsibility for the monitoring and management of risk throughout the Group. Due to the changing nature of the Group, the range of risks that it faces and in order to ensure that resources are properly deployed to identify, monitor and mitigate risk, the Company has appointed Grant Thornton to provide external support to assist it in effective internal audit. The Group has an ongoing process to embed best practice into all the Group's operations and to deal with areas of improvement which come to management's and the Board's attention.

In addition, senior management set policies, procedures and standards as detailed in the Group's policy guidelines. These were reviewed in 2015 and tailored versions have been issued to the businesses in the specific locations where applicable.

The guidelines include policies on:

- finance including cash/treasury controls and authorisation levels;
- trading;
- customer service;
- commercial and competition;
- technology;
- property management;
- human resources including pension administration, disability and health and safety;
- environmental issues and energy management;
- legal and regulatory compliance; and
- business continuity.

Fair, balanced and understandable report

A key governance requirement of the Group's financial statements is for the Annual Report and Accounts to be fair, balanced and understandable. The preparation of the Annual Report and Accounts requires the co-ordination of information from throughout the Group to a demanding timetable which runs in parallel with the formal audit process undertaken by Deloitte LLP. The report has been prepared by the Company's management and then reviewed by the Audit Committee and subsequently the Board. In order to provide comfort to the Audit Committee and the Board, contributors to the report have been provided with guidance as to the requirements of the Company. The content of the report is subject to a verification exercise and to review by senior management. The Board has reviewed the Annual Report and Accounts and the reports of management regarding its preparation and believes that the explanation and disclosures set out on pages 1 to 135 provide the information necessary for shareholders to assess the Company's performance, business model and strategy. Accordingly, having taken all matters considered by the Board and brought to its attention during the year into account, each of the Directors considers that the Annual Report taken as a whole is fair, balanced and understandable and provides shareholders with the requisite information for evaluating the performance and current strategy of the Company.

Liquidity and going concern

As at 31 December 2016, the Group had a net debt of £204 million, comprising cash of £16 million and borrowings of £220 million. The borrowings comprise £220 million of high yield bonds (senior secured notes), which are repayable in full on 1 June 2019 and are not subject to any financial maintenance covenants. At year end, the Group also had a £10 million revolving credit facility ('RCF'), which was undrawn.

Subsequent to year end, on 17 January 2017 the Group received gross cash proceeds of £17 million arising from the completion of the disposal of its East Anglia and East Midland businesses. These cash proceeds were used to increase the level of cash held by the Group for working capital purposes. The RCF, which had remained undrawn since year end, was cancelled on 17 January 2017.

The Group has performed a review of its financial resources taking into account, inter alia, the cash currently available to the Group, the lack of financial maintenance covenants in the high yield bonds, and the Group's cash flow projections for at least the 12 month period from the date of this report. Based on this review, and after considering reasonably possible downside sensitivities and uncertainties, the Board is of the opinion that the Group has adequate financial resources to meet its operational needs for at least the next 12 months from the date of this report and, as a result, the directors have concluded that it is appropriate to prepare the Group's financial statements on a going concern basis.

Consideration has been given by the directors to the financial position of the Group over a longer period of time in the Viability Statement below.

Corporate Governance continued

Viability Statement

In accordance with provision C.2.2. of the Corporate Governance Code, the directors have assessed the prospects of the Group over a period of time longer than the 12 months required to determine the going concern basis for the preparation of the Group's financial statements.

The directors have determined that the period of three years from the balance sheet date is appropriate for the purposes of conducting this review. This period was selected with reference to the Group's strategy and planning cycle. The Board formally reviews strategy twice a year, normally in May and September, with a view to informing the subsequent annual budget setting. The budget forms year one of the three year plan, with projections for years two and three.

The annual budget provides a more detailed reflection of the Group's immediate plans and is reviewed and approved by the Board before the start of the financial year.

In setting the annual budget and three year plan the Board considers the current trading position and the principal operating and financial risks and opportunities identified by the Group. In particular:

- The opportunity to invest and grow its audiences and its digital revenue streams;
- The ability of the Group to continue to reduce costs, to mitigate the continuing decline in print based circulation and advertising revenues;
- The level of capital expenditure required to support investment in growth, and the level of restructuring costs needed to support further cost reduction initiatives;
- The funding required to support the recovery plan of the historic closed defined benefit pension scheme obligations; and
- The cash generated to meet bond interest commitments as they fall due.

The Group operates in an industry which is undergoing a sustained period of significant structural change. This is driven in part by new competitors and new methods of accessing content which are provided by rapidly-changing technology and which are in turn facilitating very significant and ongoing changes in consumer behaviour. The Group's ability to adapt to this constantly changing environment will affect its prospects over the three year period.

In reviewing its plan the Group conducts sensitivity analysis, to understand the impact of continued or accelerated decline in revenues, and considers what actions the Group might take to mitigate those risks. The future assessments and plans adopted by the Board are subject to change and a level of market uncertainty. As a result of the risks and uncertainties faced by the business (including those outlined in the Principal Risks and Uncertainties section on page 18) the outcomes reflected in its plan cannot be guaranteed.

The Group's trading performance in 2016 reflected a period of difficult trading in the summer, prompted by Brexit-related uncertainty, but with an improvement in trading in the fourth quarter as a result of both strategic initiatives implemented during the first half of 2016 and signs of improving business confidence. However, for the year as a whole, and in line with the industry, the Group has seen increased volatility and accelerated decline rates in print advertising and newspaper sales. If the rates of decline experienced in 2016 continue into 2017 and beyond, then anticipated digital revenue growth and cost reduction initiatives may not be sufficient to mitigate the effect of the lost revenues, impacting the Group's ability to return to growth.

As noted in the review of Liquidity and Going Concern on page 45, as at 31 December 2016 the Group had net debt of £204 million, comprising cash of £16 million and borrowings of £220 million. The borrowings comprise £220 million of high yield bonds (senior secured notes), which are repayable in full on 1 June 2019. Subsequent to year end, on 17 January 2017 the Group received gross cash proceeds of £17 million arising from the completion of the disposal of its East Anglia and East Midlands businesses. These cash proceeds were used to increase the level of cash held by the Group for working capital purposes.

The repayment of the £220 million of high yield bonds on 1 June 2019 falls within the three year period of this viability review. The Directors anticipate that the Group will remain in a position to meet its obligations in respect of the bonds, including with regard to the payment of interest, in the period to their maturity. However, in light of the challenges faced by the industry as a whole, the current trading experience of the Group, and the likely financial position of the Group at the time the bonds are due for repayment in June 2019 there is uncertainty surrounding the Group's ability to refinance the bonds at par in the debt markets on commercially acceptable terms. Failure to repay, refinance, satisfy or otherwise retire the bonds at their maturity would give rise to a default under the indenture governing the bonds dated 16 May 2014 and could have a material impact on the Group's operations and its ability to continue as a going concern. As a result, the Directors, along with the Group's advisors, are currently exploring the strategic options available to the Group in the event that a refinancing of the bonds in the debt markets prior to June 2019 is not possible.

Based on the above, and subject to the uncertainty around the repayment, refinancing, satisfaction or retirement of the bonds in June 2019, the board confirms it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period under review.

Report of the Audit Committee

The role of the Audit Committee
The Audit Committee is appointed by the Board from the Non-Executive Directors of the Company. The Audit Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the Code. The terms of reference are considered annually by the Audit Committee and are approved by the Board. A copy of the current terms of reference is available on the Company's website.

The Audit Committee is responsible for:
- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the effectiveness of the Group's internal financial controls and the Group's internal control and risk management systems and making proposals to the Board as to the need, or otherwise, for changes to those systems;
- making recommendations to the Board, for a resolution to be put to the shareholders for their approval in a general meeting, on the appointment of the external Auditor and the approval of the remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the external Auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- reviewing (with subsequent reporting to the Board) of the conclusions of the Group's external Auditor in its annual audit and review of the half-year results. These reviews include discussion of any control weaknesses or issues identified by the Auditor;
- developing and implementing the Group's policy on the engagement of the external Auditor to supply non-audit services, taking into account relevant guidance regarding provision of non-audit services by the external audit firm;
- reviewing the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other areas; and
- monitoring the risk assessment process involving all senior managers of the Group's businesses in addition to the Executive Directors.

The Group's Risk Matrix is reviewed on a regular basis throughout the year by the local opérational and senior management. Risks are examined at regular executive meetings both locally and at Group level at the Executive Management Committee. These risk assessment sessions are held at each operation and will evaluate and address the risks identified. The results of these assessments are addressed in the Executive Directors' reports to the Board. During 2016, the areas which senior management considered included: Group strategy, customer care metrics, talent and human resources, newsprint, editorial reorganisation, national advertising sales, display advertising, implementation of sales force restructuring, revenue growth and digital strategy, management resources and reorganisation, newspaper sales, property, acquisitions and disposals, and financing requirements.

The Audit Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed and making recommendations on the steps to be taken. The Committee's Terms of Reference permit it to oversee the selection process for appointing a new Auditor should it determine, or it becomes necessary, to do so.

Composition of the Audit Committee
The Committee is normally comprised of three independent Non-Executive Directors.

The Audit Committee was chaired by Mark Pain, until his resignation on 31 August 2016. The new Audit Committee Chairman is Mike Butterworth, a Chartered Accountant, who is considered by the Board to have recent and relevant financial experience and expertise for that role, and fulfils the requirement that the Committee includes at least one financially qualified member. All Audit Committee members are expected to be financially literate. Camilla Rhodes and Kjell Aamot, both of whom hold or have previously held board and/or executive management level posts in major media organisations, are also members. Details of each Director can be found on pages 38 and 39.

Membership of the Committee is reviewed at regular intervals by the Chairman of the Committee and the Chairman of the Board, (who is not normally a member of the Audit Committee, although Camilla Rhodes currently occupies that role on an interim basis).

Meetings
The Audit Committee is required to meet not less than three times per year and has an agenda linked to events in the Group's financial calendar. The agenda is predominantly cyclical and is therefore approved by the Audit Committee Chairman on behalf of his fellow members. Each Audit Committee member has the right to require reports on relevant matters of interest in addition to the cyclical items.

The Audit Committee meetings are attended by the Chief Financial Officer and the Group Head of Finance at the invitation of the Committee, and the Company Secretary, who acts as Secretary to the Committee, with minutes being circulated to all Committee members. The Chairman and Chief Executive Officer are also invited to attend if required to do so by the Committee. Towards the close of relevant meetings, all executives (with the exception of the Company Secretary) leave in order for the Committee to have appropriate discussion with the external auditor (who also attends by invitation). The Audit Committee Chairman also has one or more private meetings with the external audit partner during the course of the year to discuss any relevant issues.

The External Auditor is invited to attend each Audit Committee meeting to discuss and agree the audit programme for the forthcoming year, together with any proposed non-audit work. In November the external auditors present their audit plan, in March the findings from the year-end audit are shared and in July half-year review findings are presented. Any significant non-audit work by the auditor is approved by the Committee (or by the Committee Chairman on its behalf) in advance of any engagement letter being signed.

Report of the Audit Committee continued

Overview of the actions taken by the Audit Committee to discharge its duties

Two of the scheduled meetings in 2016 were held during the year-end audit and one was held during the interim review. Three of the meetings during 2016 considered reports on the Group's system of internal controls. These, together with the system in operation, are described in the internal control section of the Annual Report.

At its fourth meeting of the year the Committee carried out a review of the Group's key business risks and amendments to its system of reviewing and monitoring risk. The Committee is actively involved in the ongoing review of risk and internal controls by the main Board. For additional information see the section on internal control on page 44.

In considering the financial statements for the period ended 31 December 2016, the following significant issues were addressed:
- going concern and longer-term viability statement;
- publishing titles valuation and impairment;
- press valuation and impairment; and
- pension obligations.

Papers in relation to each of these topics were presented to the Audit Committee by management and also provided to the Auditor for their consideration and opinion. They were subsequently discussed at meetings of the Audit Committee who made a final recommendation on their treatment to the Board as part of its process of approving the Company's financial statements.

Other matters considered included cyber security, tax strategy, structural changes to the Group, accounting for the acquisition of the i newspaper and disposals of the Group's former titles in the Isle of Man and East Anglia and the East Midlands, property (including assets held for sale) and certain technical updates.

External Auditor

At the meeting to review the Annual Report and Accounts, the Committee formally considers the non-audit services provided by the Group's external Auditor and the effectiveness of the audit process. It is the Company's policy that any non-audit work to be performed by the Auditor, where fees on a cumulative basis exceed £50,000 in any financial year, must be approved by the Audit Committee. The Group's policy requires that services and/or advice that require auditing are not undertaken by the external Auditor. If non-audit fees for a financial year exceed the audit related fees for a year, then Board approval must be given. Where appropriate, non-audit work for which the Auditor is considered is the subject of an appropriate tender exercise.

To assess the effectiveness of the external Auditor, the Audit Committee reviewed the:
- arrangements for ensuring the external Auditor's independence and objectivity;
- external Auditor's fulfilment of the agreed audit plan and any variations from the plan;
- robustness and perceptiveness of the Auditor in their handling of the key accounting and audit judgements; and
- content of the external Auditor's reporting on internal control.

During 2016 the Company has used several professional firms for different projects. Taxation compliance and advisory work relating to the Company's subsidiaries in the Republic of Ireland was undertaken by a professional firm other than the Group's Auditor.

The Committee oversaw the appointment of Deloitte LLP in 2002 and has a primary responsibility for the appointment, re-appointment and removal of the Auditor. The Committee conducted an evaluation of the effectiveness of the external audit process as part of its work during the year. The Committee reviewed the Auditor's plan for the year, noting the role of the senior statutory audit partner and key audit staff, the arrangements for day-to-day management of the audit, if there were any conflicts of interest and the extent of non-audit services provided by the Auditor. The Company's Auditor may be engaged to undertake non-audit work in limited circumstances when it is considered beneficial, in the opinion of the Committee, that their knowledge and/or expertise are deployed by the Company. Non-audit related services provided in 2016 consisted of professional advice in relation to taxation compliance services, other taxation advisory services and pension scheme audit services with total fees of £0.7 million (see Note 5) along with work supporting shareholder circulars associated with the approval of transactions being the i acquisition and the disposal of titles in East Anglia and the East Midlands, which completed in January 2017. Fees were £0.4 million and £0.3 million respectively, with the latter received and accounted for in 2017. The taxation advice was provided by partners and staff who had no involvement in the audit of the financial statements. Commencing 1 January 2017 the Group has appointed KPMG to assist with tax compliance matters, thus increasing audit independence. The Committee is satisfied that the objectivity and independence of the external audit is safeguarded. The Committee has considered the likelihood of a withdrawal of the external Auditor from the market and noted that there are no contractual obligations to restrict the choice of external Auditor.

The Financial Reporting Council's Audit Quality Review team selected to review the audit of the Company's Annual Report and Accounts 2015 as part of their annual inspection of audit firms. The focus of the review was on identifying areas where improvements were required. A full copy of the findings of the review has been received and discussed with Deloitte. A number of significant findings were identified and an action plan was agreed with Deloitte to ensure the matters identified as requiring improvement have been addressed.

The Committee has recommended to the Board the re-appointment of the external Auditor. On the recommendation of the Audit Committee, the Directors will be proposing the re-appointment of Deloitte LLP at the Annual General Meeting in 2017. In making that recommendation, the Committee considered the performance of the external Auditor in previous years and took account of their knowledge of the Group and of the fact that the Group remains in a considerable period of change, through which continuity of Auditor was felt to be important. The audit partner rotated at the commencement of the 2012 interim review and will continue to rotate every five years, subject to Deloitte LLP's ongoing appointment. A new audit partner has therefore been appointed in 2017. Although the Company has no current plans to retender the contract for audit services it reserves the right to do so and will comply with a requirement to retender such contract to which it is or may be subject in the future.

Directors' Remuneration Report – Annual Statement

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the period ended 31 December 2016. In this year's report, I will provide an update on the remuneration of the Executive Directors over the last twelve months with details of the annual bonus and long term incentive plan (LTIP) outcomes for 2016 and the LTIP awards that were made during the year plus the usual tables providing information on executive and non-executive contracts, their shareholding and other information as required by legislation.

The Company's Remuneration Policy ('the Policy'), approved by shareholders on 27 June 2014 had a three year life and will expire at the 2017 AGM. The full policy is contained in the 2014 Annual Report, available on the Company's website: http://www.johnstonpress.co.uk/investors/reportsresults-presentations.

In preparation for this, over the last few months the Remuneration Committee carried out a comprehensive review of executive remuneration and having concluded that review, the Company is putting forward a revised Remuneration Policy at this year's Annual General Meeting. The Policy is subject to shareholder approval and, if approved, will become effective from the date of the meeting. Full details of the Policy and how we intend to implement it in 2017 is provided below.

Remuneration Committee

In 2016, we welcomed Mike Butterworth and Kjell Aamot as members of the Remuneration Committee. They replace Stephen van Rooyen and Mark Pain who left the Committee and the Johnston Press Board in May and August 2016 respectively.

2016 performance and incentive outcome

2016 was another challenging year for the newspaper industry in general. Johnston Press has continued to take action in response to the challenges the industry faces, most notably through the acquisition of the i newspaper and the sale of various titles in East Anglia and Isle of Man. The 2016 annual incentive scheme for Executive Directors was aimed at focusing the senior team on improving financial performance, growing revenue and paying down the Group's debt through the use of three financial performance measures: EBITDA, Total Revenue and Net Debt Reduction. Despite many positive steps taken across the core business, the results for the three key targets included in the annual bonus plan fell short of requirements, resulting in no bonuses being awarded to the Executive Directors or the Company's Executive Management and Senior Leadership Team who were subject to broadly the same Bonus Plan criteria.

In 2014, awards were made to Executive Directors and selected senior executives under the one-off Value Creation Plan. The performance testing date for these awards is 23rd June 2017 and these are expected to fully lapse.

Reflecting Company performance against the backdrop of a tough external environment and the impact of headwinds facing the industry, no short or long-term incentives paid out or vested for the period ended 31 December 2016.

2017 Remuneration Policy

Current remuneration policy and design considerations

The 2014 remuneration policy is based on a typical UK plc structure which provides for a base salary, modest benefits, a pension contribution, an annual bonus (with part deferred in shares) and annual awards of free shares made under the Performance Share Plan ('PSP') (granted as a percentage of an individual's salary) which vest after three years subject to performance conditions.

Reflecting the Company's performance in a very difficult industry environment, bonus and LTIP payouts have been relatively modest, particularly in recent years, and bonuses have been low (as explained above in respect of performance in 2016). The Committee is reassured that take-home pay is reflective of performance over the last few years.

Johnston Press continues to operate in a very challenging industry. This has resulted in the Company currently having a relatively small market capitalisation. There is also very limited liquidity in the shares and this has contributed to a highly-volatile share price, which in recent months has moved materially as a result of factors not directly related to the underlying performance of the business. In addition, the Company has high-yield bonds which are due for repayment in June 2019, and this represents a further challenge for the business in the short term. The Committee has considered carefully how these factors should be taken into account in the design of the 2017 remuneration policy, and has identified a number of issues with the existing policy:

- Making grants under the PSP based on a percentage of an executive's base salary (up to 125% of salary) results in an award over a very high number of shares and could be highly dilutive for existing shareholders (either through cash settlement or through the issue of new shares).
- Half of PSP awards have historically been based on a total shareholder return measure which compares Johnston Press's share price performance against a basket of other media companies. Purely as an illustration, the base share price upon which growth would be measured for a PSP award at the start of 2017 would have been 13.8p (three-month average to 31 December 2016). A relatively modest increase in pence per share terms could result in a high total shareholder return. The Committee does not feel Executive Directors should benefit inadvertently from a combination of high volatility in the Company's share price and a relatively modest increase on a very low base price. Going forward, the share price is likely to continue to be highly volatile and could potentially move in reaction to factors not related to management's performance or the underlying performance of the business.
- The business focus should remain firmly on short-term objectives to be achieved over 2017, and setting robust three-year targets at this time (particularly given the bond repayment in June 2019) is very difficult.
- If the proposed policy, set out below, is not approved by shareholders at the forthcoming AGM, the 2014 remuneration policy will continue to apply for the 2017 financial year.

Directors' Remuneration Report – Annual Statement
continued

The proposed 2017 remuneration policy
Given the current financial and business outlook and the unusual position the Company finds itself in, it is essential that the 2017 policy allows for increased flexibility in how remuneration is structured and how it supports our performance, without providing excessive levels of reward in the event of a slight recovery in the share price.

The policy the Committee is proposing for use over the 2017-19 period would allow us more flexibility in how variable pay is operated, essentially allowing us to use one of the following options over the three-year period:
- An annual bonus with no long-term award under the PSP, with a higher maximum than currently operated (but significantly lower than combined bonus and PSP opportunity under the existing policy) with at least half deferred for three years; or
- Continuing with the current combination of annual bonus and performance shares or instead an annual bonus and restricted share awards (the maximum face value of which would be no more than half the maximum grant value of performance shares). It would not be possible to grant both performance shares and restricted shares to a director in any given year.

It is proposed that the first option, an annual bonus only, is operated in 2017. This would allow the Company to place greater focus on the coming year, which is a critical one for the Johnston Press (particularly in light of the issues around the June 2019 bond repayment).

As mentioned above, the advantage of operating an annual bonus only (with deferral also in cash) is that it avoids granting performance shares at a low share price which would be highly dilutive for existing shareholders, and potentially lead to significant reward primarily due to share price volatility rather than a sustained improvement in performance.

In the second and third year of the policy, if the circumstances support a move to performance or restricted share awards, we will consult with leading shareholders before making any decision to do so.

At a critical time in the Company's recovery, it is essential that the current Chief Financial Officer is retained. The Committee has decided to give the Company greater protection by requiring the Chief Financial Officer to provide 12 months notice and, to be equitable, the Company would provide him with the same period of notice. This is in line with both the Chief Executive Officer's contract and typical market practice. In addition, up to 12 months notice will be provided in new directors' contracts, which will assist with both recruitment and retention.

Implementation of policy and quantum for 2017
There will be no change to base salaries in 2017 - these were last increased on 1 January 2015.

If the policy is approved and the only incentive available to directors will be an annual bonus scheme, the aggregate level of variable pay opportunity will be significantly reduced from 245% to 180% of salary for the Chief Executive Officer, and from 225% to 165% for the Chief Financial Officer. Furthermore, half of any bonus payable in respect of 2017 performance will be deferred for three years (in cash rather than shares to avoid a windfall from a rebound in the share price) and the Committee will reduce vesting of this deferred element if it is not satisfied that there has been progress in the Company's financial performance over the deferral period.

The Committee believes strongly in the importance of the link between pay and performance, and has devised a bonus structure for 2017 whereby 47.5% of the opportunity will be based on EBITDA and profit margin targets, 27.5% on revenue targets and 25% on key strategic objectives relating to progress towards achieving a sound financial base by the end of the financial year.

If the policy is not approved, the Remuneration Committee will revert to the current remuneration policy which may include participation in the annual bonus scheme and an award under the PSP.

The proposed policy can be found on pages 51 to 60. The Committee believes the new policy which will be put forward for shareholder approval will enable us to ensure that we can operate a dynamic approach to executive remuneration in a fast changing and challenging industry, whilst at the same time ensuring that the directors' rewards are not excessive and are aligned to the long-term success of the Company.

The Committee has spent considerable time reviewing remuneration in light of the current circumstances. We believe the proposed approach is fair and permits the Company to revert to long-term incentive awards once the Company has recovered value for shareholders. On behalf of the Board I hope you will be able to support the remuneration resolutions at the forthcoming AGM.

Yours sincerely

Camilla Rhodes

Camilla Rhodes
Chair of the Remuneration Committee

The Directors' Remuneration Report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Act") and also in accordance with the requirement of the Listing Rules of the Financial Conduct Authority. The Remuneration Policy has been developed taking into account the principles of the UK Corporate Governance Code and recent guidance from UK institutional shareholders, the Investment Association and ISS. The Remuneration Policy will be put to a binding shareholder vote at the 2017 Annual General Meeting (AGM) on 22 May 2017 and, subject to its approval, it will become effective from that date.

Directors' Remuneration Policy Report

The Committee's Remuneration Policy aims to attract, motivate and retain Directors of the highest calibre, to drive the future success of the business and to reward them for delivering value to shareholders.

The Company's policy is that a significant proportion of the remuneration of the Executive Directors should be performance-related. Executive Directors may earn annual bonus payments together with the benefits of participation in share schemes and these arrangements are described below.

The Committee reviews the performance criteria attached to incentive schemes each year and their appropriate mix to ensure that they are aligned with the Company's strategic objectives and future direction.

The Committee has also considered the structure of the Directors' remuneration packages from a risk perspective. It remains satisfied that the packages, which may include base salary, an annual bonus and long-term incentives, do not encourage inappropriate risk taking. Risk is taken into account when setting the targets under variable incentive schemes. This is done by ensuring that a mix of metrics is used and targets, while stretching, are realistic, attainable, for the long-term benefit of the Company, and achievable without taking inappropriate business risks.

In reviewing the Remuneration Policy, the Committee has the discretion to take into consideration (amongst other factors) corporate performance on Environmental, Social and Governance (ESG) issues. The Committee is satisfied that ESG risks are not raised by the incentive structure through inadvertently motivating irresponsible behaviour.

Summary of Policy Changes for 2017

The proposed 2017 policy provides greater flexibility in the choice of incentive structures the Company operates to support our strategic goals at the start of each year.

In any given year under the new policy, the Company will be able to operate:

- An annual bonus and make performance share awards under the Performance Share Plan ("PSP") (at the same bonus and PSP limits as under the 2014 policy); or
- An annual bonus and make restricted share awards under the PSP at lower face values; or
- A larger annual bonus with significant deferral, but with no ability to make any other long-term share awards (including performance and restricted shares).

The current intention is to operate the third option in 2017 – a larger annual bonus only – with performance measures selected to support the achievement of our short-term strategic objectives, which in turn are designed to support our recovery. A significant part of any 2017 bonus that becomes payable would be subject to deferral (in cash). Additionally, by not offering a PSP award, we avoid the significant share dilution issues that could arise as a result of granting awards when the share price is at low levels.

The Committee may revert to a policy of bonus and either performance shares or restricted shares once an appropriate level of recovery has been achieved, and if it feels it is appropriate to do so. Leading shareholders would be consulted prior to making this change.

The introduction of restricted shares permits the Committee to grant lower-value long-term incentive awards without performance criteria and is likely to be operated if the Committee felt that setting long-term financial targets was too difficult due to insufficient long-term visibility.

Awards of performance shares together with restricted shares may not be made to any director in any given year.

Directors' Remuneration Policy Report continued

Remuneration Policy Table

The next table sets out a summary of each element of the Executive Director's remuneration packages, the policy for how these are operated and their link to the Company's strategy:

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Base salary	To attract and retain high-calibre individuals. Reflects an individual's experience, role and performance.	Salaries are normally reviewed annually or when an individual changes position or responsibility. The Committee reserves the right to review salaries at other times as and when appropriate. In deciding appropriate levels, the Committee takes into account: · the commercial need to do so; · the market rates for similar positions in companies of comparable size and complexity, and appropriate media companies; · the complexity of the role, the individual's experience, level of responsibility, and the performance of both the individual and the company; and · increases applied to the broader workforce.	No maximum applies. Salaries will be eligible for increases as appropriate during the life of this Policy. Generally, annual increases will be in line with employee increases but higher increases may be awarded on occasion, for example, where: · an individual is promoted; · an individual has been recruited or promoted on a below-market rate; and · where there have been material changes to individual responsibilities or in the size or complexity of the business.	Performance and Development Process.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Benefits	To aid retention and remain competitive in the market place.	Benefits may include a company car (or car allowance), telephone, health insurance, long-term illness cover and life assurance. Temporary relocation or other related expenses may be offered as required. Executives may also be reimbursed for any reasonable expenses (and any income tax payable thereon) incurred in performance of their duties. Executives may participate in the all-employee HMRC-approved Sharesave option scheme or Share Incentive Plan (SIP) on the same terms as other eligible employees.	Executives are provided with a market-competitive benefits package, the value of which may vary from year-to-year depending on the cost to the Company from third-party providers. Awards are made up to the HMRC individual SAYE and SIP limits. The Company makes no commitment to offer SAYE or SIP participation in any year.	Not applicable.
Pension	To aid retention and remain competitive in the market place.	The Company may contribute into the Johnston Press Retirement Savings Plan (JPRSP) or an executive's private pension scheme, or pay a salary supplement in lieu of pension.	For the current Chief Executive Officer, the Company may make pension contributions of up to 25% of basic salary and match any individual contributions up to a maximum of 5% of salary. For the current Chief Financial Officer and any new Executive Directors, a pension contribution of up to 12% of salary may be provided. Only base salary is pensionable.	Not applicable.

Directors' Remuneration Policy Report continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Annual bonus	To motivate executives and incentivise the achievement of key financial and strategic targets over the year without encouraging excessive risk taking.	The Committee considers and approves the measures and targets at the start of each year, ensuring they are aligned with the Company's key short-term priorities and business strategy and are sufficiently stretching. In setting the appropriate financial parameters, the Committee takes into account the Company's internal budgets and, where applicable, analysts' expectations for the forthcoming year. The targets applying to financial measures are (where possible) based on a sliding scale. Bonus payment is determined by the Committee after the year-end by assessing the extent to which targets have been achieved. If bonus opportunity is at normal levels, the Committee may choose to defer a portion of any bonus payable, into either cash or shares, for a period of up to two years. If a higher bonus opportunity is in operation, up to half of the bonus will be deferred for three years. Deferred awards vest subject to continued employment and not being under notice of termination. Recovery and withholding provisions apply to bonuses payable to Executive Directors. This allows the Company to recover bonus payments (or withhold deferred cash or share bonuses) in certain specified circumstances, including a material misstatement of the Group's financial position, error in assessing the size of the bonus or discovery of an act of gross misconduct. The Committee, in its discretion, acting fairly and reasonably, may alter the bonus outcome if it feels that the payout is inconsistent with the Company's overall performance taking account of any factors it considers relevant. The Committee will consult with leading investors before any exercise of its discretion to increase the bonus outcome.	The normal maximum bonus opportunity for the Chief Executive Officer is 120% of salary and the Chief Financial Officer's is 100% of salary. At the start of any given year of this policy, including 2017, the Committee may decide to increase the bonus opportunity, up to a maximum of 180% of salary for the Chief Executive Officer and 165% for the Chief Financial Officer. In any year where the normal maximum limits set out above are exceeded, executives will not be eligible for an award under the Performance Share Plan, either in the form of performance or restricted shares (see below).	The bonus may be based on the achievement of an appropriate mix of challenging financial, strategic or personal targets. Financial measures, which typically account for the majority of the bonus opportunity, may include measures such as EBITDA (or other measures of profit), revenue, cash flow performance and debt reduction targets. For financial metrics, a range of targets is set by the Committee, taking into account factors such as the internal and external business outlook for the year. For financial metrics: • nothing is payable for performance below a minimum level of performance; and • the amount payable for threshold performance may vary depending on the metric. Typically, but not in all cases, up to 25% is payable for achieving a threshold target and this rises until full bonus is payable for a higher, more demanding target. Non-financial metrics and personal targets, such as audience growth, specific targets relating to the digital business, customer/advertiser satisfaction and employee satisfaction/engagement, may also be included. If a higher than normal bonus opportunity is operated during the year, any deferred bonus element could be reduced, including to nil, if the Committee is not satisfied that there has been progress in the Company's financial performance over the deferral period. See Note 1 on page 56.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Long-term incentives	Incentivises Executive Directors and selected senior executives to achieve superior financial performance and long-term shareholder returns. To facilitate share ownership and provide further alignment with shareholders. To attract, motivate and retain key talent.	The Company operates a PSP. Under this plan, annual awards (structured as nil-cost options or conditional awards) are granted. The rules of the plan also allow awards to be structured as forfeitable share awards. Awards vest after three years and can be made in the form of performance shares or restricted shares, but both awards may not be made in any given financial year to an executive director. As part of the approval of this policy, the Company is seeking to pass a resolution at the AGM to confirm the ability to grant restricted shares to executive directors. If performance shares are granted under the plan, these will vest subject to the achievement of stretching performance conditions measured over a period of three years, and continued employment. If awards of restricted shares are made (without performance criteria), these will vest no earlier than three years after grant. The level of grant is reviewed annually (subject to individual limits set out in the relevant plan rules), taking into account overall remuneration, the performance of the Executive Directors and the Company's share price. Recovery and withholding provisions apply which permit the Company to withhold unvested awards, or claw back vested awards, in the event of a material misstatement, error in assessing performance conditions or discovery of an act of gross misconduct. The value of dividends, to the extent they are paid, will accrue on vested awards during the vesting period.	Performance share awards with a face value of no more than 125% of salary (or 150% of salary in exceptional circumstances) may be made in any year. The Committee will consult with shareholders in advance of any intention to grant restricted shares. If restricted shares are granted, a maximum face value limit of half of that set out above for performance shares will apply. Awards may not be made under both plans in any given year to an executive director. If a higher than normal bonus opportunity is in operation in any particular year for an executive, he or she will not be eligible to receive performance or restricted share awards in that financial year.	Performance share awards granted under the PSP vest after three years subject to the satisfaction of challenging performance criteria, which may include absolute or relative Total Shareholder Return ('TSR') and/or earnings per share ('EPS') growth. · If used, relative TSR is measured against an appropriate comparator group over a three-year period. 25% of this part of the award vests at median, with 100% vesting for upper quartile performance with straight-line vesting in between. For this part of the award, no vesting can occur unless the Committee is satisfied that the results reflect the underlying financial performance of the Company. · If an EPS measure is used, performance will be measured over a three-year period. No part of this award will vest unless a threshold level of performance is achieved. 25% of this part of the award vests for threshold, rising up to full vesting for a more demanding target. When determining the target range for any financial measures that may apply, the Committee ensures they are challenging by taking into account current and anticipated trading conditions, the long-term business plan and external expectations. The Committee may introduce other measures, or replace TSR and EPS, to support the long-term business strategy. The Committee will consult with major investors before making any changes to measures. No performance criteria apply to restricted share awards made under the PSP, although the Committee retains the ability to reduce vesting if it feels it is appropriate to do so. See Note 2 on page 56.

Directors' Remuneration Policy Report continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Share Ownership Guidelines	To align interests of management and shareholders.	The Chief Executive Officer and Chief Financial Officer are required to build up shares to the value of 200% and 150% of salary respectively. In order to meet these guidelines, Executive Directors are required to retain 50% of shares which vest under executive share plans, after allowing for sufficient sales of shares to meet tax obligations, until the required holding has been achieved. Only shares owned outright will count towards the guideline.	Not applicable.	Not applicable.
Non-Executive Director fees	To attract and retain high quality and experienced Non-Executive Chairman and Directors.	Fees may be paid in shares as well as cash. The Board determines the fees of the Non-Executive Directors, based upon recommendations from the Chairman and Chief Executive Officer (or, in the case of the Chairman, based on recommendations from the Remuneration Committee and the Chief Executive Officer). The level of fees of the Non-Executive Directors reflects the time commitment and responsibility of their respective roles. Their fees are reviewed from time to time against broadly-similar UK-listed companies and companies of a similar size. Additional fees may be payable for the chairmanship of committees and for holding the Senior Independent Director position. In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment of the Non-Executive Chairman and Directors. Directors may also be reimbursed for any reasonable expenses (and any income tax payable thereon) incurred in performance of their duties.	Current fees are set out in the Annual Report on Remuneration. The total value of Non-Executive Director fees must be within the limits set out in the Company's Articles of Association.	None.

Notes:

[1] In terms of annual performance targets, EBITDA and revenue reflect the Company's objective of increasing top line growth and ultimately earnings.

[2] Total Shareholder Return is an important benchmark of the success of the business and provides a strong alignment with the returns received by shareholders. The EPS measure ensures a focus on long-term profitability which the Committee believes is a driver of shareholder value.

Incentive plan discretions

The Committee will operate the annual bonus and long-term incentive plans according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following (albeit with the level of award restricted as set out in the policy table above):

- who participates in the plans;
- the timing of grant of award and/or payment;
- the size of an award and/or a payment subject to individual participation and dilution limits as approved by shareholders;
- the choice of performance measures and targets for each incentive plan in accordance with the policy set out above and the rules of each plan;
- discretion relating to the measurement of performance and level of vesting in the event of a change of control or reconstruction;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's shareholders.

In the event of a change of control of the Company share or cash awards will normally vest and the Committee in place before the event will determine the extent to which any performance condition has been satisfied, and any appropriate reduction in the number of shares or amount of any bonus subject to an award under the long-term incentive plans and the annual bonus plan.

Legacy arrangements

For the avoidance of doubt, in approving the Policy Report, authority is given to the Company to honour any commitments entered into with current or former Directors, including awards made to the Chief Executive Officer as part of the terms of his recruitment, as well as awards made under the Value Creation Plan ("VCP") approved by shareholders in 2014.

Differences in Remuneration Policy for Executive Directors compared to other employees

The Committee is made aware of pay structures across the wider Group when setting the Remuneration Policy for Executive Directors. The Committee considers the general basic salary increase for the broader employee population when determining the annual salary review for the Executive Directors.

The annual Senior Leadership Bonus ("SLB") plan operates across certain levels in the Group. For 2017, the bonus measures are mostly the same for the Executive Directors and the rest of the Senior Leadership Team, the exception being specific strategic measures to which the wider Senior Leadership Team may not be privy. Monthly and quarterly sales incentive schemes are in place to motivate direct advertising and newspaper sales teams, some ad-hoc local bonus plans (for junior level roles) operate across the Group and all employees are eligible to participate in the Save As You Earn ("SAYE") scheme (if offered).

Overall, the remuneration policy for the Executive Directors is more heavily weighted towards variable pay than for other employees. This ensures that there is a clear link between the value created for shareholders and the remuneration received by the Executive Directors given it is the Executive Directors who are considered to have the greatest potential to influence Company value creation.

Directors' Remuneration Policy Report continued

Remuneration scenarios for Executive Directors
The Company's policy results in a significant portion of remuneration received by Executive Directors being dependent on Company performance. The graph below illustrates 2017 reward scenarios for the Executive Directors under three performance scenarios and assuming the revised Remuneration Policy for 2017 to 2019 is approved by shareholders: Below-Target, On-Target and Maximum.

Notes:
(i) Minimum comprises fixed pay. Fixed pay is the sum of basic salary (as at 1 January 2017), benefits (2016 value) and 2016 pension. Fixed pay is constant across all three scenarios.
(ii) For On-target it is assumed 50% of the 2017 maximum (higher) bonus opportunity is paid.
(iii) For Maximum, it is assumed full bonus payment for 2017 is made.

Recruitment and promotion policy
The remuneration package for a new Executive Director will be set in accordance with the Company's approved policy as set out above, subject to such modifications as are set out below.

Salary levels for Executive Directors will be set in accordance with the Company's Remuneration Policy, taking into account the experience and calibre of the individual and their existing remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be made over subsequent years subject to individual performance and development in the role. Benefits will generally be provided in-line with those offered to other Executive Directors, with relocation or other one-off expenses provided for if necessary.

The structure of any variable pay element will be in accordance with the Company's approved policy detailed above. The maximum bonus potential and award levels under the PSP are as set out in the policy table, including the exceptional circumstances limit. As set out in the policy table above, bonus potential above the normal limit may apply in any given year, but where this is the case, no awards for that year may be granted under the PSP (aside from buyout awards, as described below). Different performance measures may be set initially for the annual bonus, taking into account the responsibilities of the individual, and the point in the financial year that the individual joined the Board.

In the case of an external hire, if it is necessary to buy out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer), this would be provided for by normally taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards will only be made to the extent necessary.

If used, they may be granted using the Company's existing share plans, although awards may also be granted outside of these schemes if necessary, and as permitted under the Listing Rules of the UKLA.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant.

Fees for a new Chairman or Non-Executive Director will be set in line with the approved policy.

Service contracts and loss of office

The Company's policy is for service contracts to be terminable by either party with no more than 12 months' notice for current and future Directors. On approval of this Policy, it is expected that the Chief Financial Officer's contract will be amended so that he is required to provide 12 months' notice and to be equitable, the Company will also be required to provide the same period of notice. This gives the Company greater protection and ensures that his contract is in line with the Chief Executive Officer's agreement and market practice. All future Executive Directors will also have notice periods of up to 12 months from either party. Executive Directors' service contracts will be available for inspection at the Annual General Meeting.

All Non-Executive Directors have letters of appointment which are terminable at will, subject to a three-month notice period. It is the Committee's policy that any future Non-Executive Board appointments will be made on the same terms. A copy of the standard letter of appointment for the Chairman and Non-Executive Directors is displayed on the Company's website in the Investor Centre section.

The contract dates and notice periods for each Executive and Non-Executive Director are as follows:

	Date of service agreement/ effective date of current appointment	Notice period by Company	Notice period by Director
Ashley Highfield	27 July 2011	1 year	1 year
David King	16 May 2013[1]	6 months	6 months
Camilla Rhodes	13 July 2015	3 months	3 months
Ralph Marshall	27 June 2014	3 months	3 months
Mike Butterworth	1 June 2016	3 months	3 months
Kjell Aamot	1 August 2013	3 months	3 months

1 Subject to amendment following the approval of this Policy to provide for 12 months' notice by either party.

For Executive Directors, the Company may in its absolute discretion at any time after notice is served by either party, terminate a Director's contract by paying an amount in lieu of the notice period equivalent to basic salary and the value of contractual benefits, including pension.

Executive Directors' contracts of employment may be terminated, at the option of the Company, by giving twelve months' notice for Ashley Highfield and six months' notice for David King. The Company may also terminate the Executive's employment forthwith in certain circumstances including any serious breach of his obligations under the relevant contract of employment. The Executive Directors' service contracts do not provide any entitlement to the provision of liquidated damages or any special provisions relating to a change of control.

Executive Directors are entitled to accept up to two Non-Executive Director appointments outside of the Company provided that the Chairman's permission is obtained. The Remuneration Committee decides whether any fees for such positions are retained by the Director. In addition, the Executive Directors are entitled to accept any positions connected with the newspaper industry or any business in which the Company holds an investment.

Treatment of incentives

If a participant ceases to be employed at any time before a bonus is due to be paid or is under notice of termination of employment at this time, then generally no bonus will be payable to that individual. If, however, the participant ceases employment, or is under notice of termination of employment, for a 'good leaver' reason, including – (i) death, (ii) injury or disability evidenced to the satisfaction of his employer, (iii) redundancy, (iv) retirement with the agreement of the Committee, (v) his office or employment being transferred out of the Group, or (vi) for any other reason if the Committee so decides, then the Committee has discretion to decide that the bonus (including any part that would have been deferred into a share award) shall continue to be paid to the participant after the end of the performance period, subject to a pro-rata reduction. The Committee has discretion not to apply a pro-rata reduction if it considers that to do so would be inappropriate in any particular case.

Generally, upon cessation of employment, outstanding awards made under the Deferred Share Bonus Plan, or any other deferred bonus arrangement, shall lapse. If, however, a participant ceases employment for one of the 'good leaver' reasons as set out above for the annual bonus plan or for any other reason if the Committee so decides, then the award will vest on cessation.

Directors' Remuneration Policy Report continued

Generally, upon cessation of employment, outstanding awards made under the Company's share plans shall lapse including in cases of summary dismissal. If, however, a participant ceases employment for one of the 'good leaver' reasons as set out above for the annual bonus plan (excluding retirement, redundancy, the sale or transfer of a business out of the Group for the VCP only) or for any other reason if the Committee so decides, then:

- Performance share awards and restricted share awards will vest on the normal vesting date, subject to the achievement of any performance conditions and a pro rata reduction based on the period commencing on the first day of the financial year of the Company in which the award is granted and ending on the date of cessation, relative to the full three-year period commencing on the first day of the financial year of the Company in which the award was granted.
- The Committee however, retains the discretion to decide, in exceptional circumstances, that any award made under the PSP will instead vest on the date of cessation, subject to the achievement of performance conditions (if applicable) and a pro rata reduction.

For all share awards, the Committee retains the discretion not to apply a pro-rata reduction if it considers that to do so would be inappropriate in any particular case.

How shareholder views are taken into account

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Company's annual review of remuneration. Leading shareholders have been widely consulted in respect of the proposed Remuneration Policy for 2017 to 2019.

Annual Report on Directors' Remuneration

Unaudited information

Implementation of Policy for 2017

Base salaries

Base salaries for the Executive Directors as at 1 January 2017 remained unchanged at £430,000 for Ashley Highfield and £275,000 for David King and have not been increased since January 2015.

Chairman and Non-Executive Directors' fees

The Chairman's and Non-Executive Directors' fees were last reviewed in 2008 and have not been increased since then. The current fee levels at the start of 2017 are:
- Chairman's fee of £130,000 p.a.; and
- *Non-Executive Director base fee of £40,000 p.a.*

Supplementary fees:
- Senior Independent Director – £7,500 p.a.; (including where the Senior Independent Director is acting in an interim capacity);
- Audit Committee Chair – £7,500 p.a.; and
- *Remuneration Committee Chair – £7,500 p.a.*

Non-Executive Directors' fees for 2017 will be payable quarterly in arrears.

Benefits and pension

Benefits are provided in line with the information set out in the Policy.

Ashley Highfield receives, annually, a pension contribution of 25% of his base salary and is entitled to a match of any individual contributions up to 5% of salary. David King receives a pension contribution of 12% of his base salary.

Annual bonus

In 2017, subject to the approval of the new Remuneration Policy, the annual bonus opportunity for Ashley Highfield is 180% of salary and for David King is 165% of salary. The 2017 bonus will be governed by the rules of the Company's Annual Bonus Plan and Deferred Share Bonus Plan.

The bonus metrics and weightings for the two Directors are provided below.

	Weighting
Financial	
EBITDA	40.0%
Profit margin	7.5%
Top line revenue	12.5%
Central 'Media Sales Centre' revenue	7.5%
Digital advertising revenue	7.5%
Strategic objectives	25.0%
Total	***100%***

Should the minimum level target not be achieved for EBITDA, the amount payable in respect of other measures shall be halved, irrespective of achievement of the relevant targets for those measures.

The strategic element is based on objectives relating to the achievement of a sound financial base by the end of the financial year.

The targets and strategic objectives themselves are deemed to be commercially sensitive and will not be disclosed prospectively. However, the Committee will seek to provide retrospective disclosure of the targets and performance against them in next year's remuneration report.

Half of any bonus earned will be deferred in cash for a period of three years.

Clawback provisions will apply in accordance with the approved policy.

Annual Report on Directors' Remuneration continued

Long-term incentives

Performance Share Plan

Subject to approval of the 2017 Remuneration Policy, no awards will be granted under the PSP in 2017 to the current Executive Directors.

Membership of the Remuneration Committee

Camilla Rhodes has been Chair of the Committee since the 2013 AGM. The members of the Committee throughout 2016 are listed in the table below. All members of the Committee are Independent Non-Executive Directors. No Director plays a part in any decision making directly relating to their own remuneration.

The members of the Committee and their year of appointment to the Committee were:

Name	Year of appointment
Camilla Rhodes (Chair)	2010
Mike Butterworth	2016
Kjell Aamot	2016
Steven van Rooyen	2013 (resigned May 2016)
Mark Pain	2010 (resigned August 2016)

During 2016, the Committee met on six occasions. At those meetings base salaries of Executive Directors were discussed but not increased, the targets and quantum of annual performance-related bonuses for Executive Directors were agreed, the vesting outcome of the Group's long-term incentive schemes and performance against the annual bonus plan for 2016 were reviewed, as were awards to be granted under the Group's Performance Share Plan and the performance measures applying.

The Committee has the delegated responsibility for reviewing the Board policy on remuneration for the Executive Management Committee (which includes the two Executive Directors) and setting all aspects of remuneration, including the total remuneration package for all Executive Directors and the Chairman of the Board.

The Committee's terms of reference, which were reviewed in 2016, set out the responsibilities of the Remuneration Committee and are available on the Company's website and on request.

Advice to the Committee

No member of the Committee has any personal financial interest (other than as a shareholder), conflicts of interest arising from cross directorships or day-to-day involvement in running the business. Other Directors attend meetings when invited by the Committee and the Company Secretary acts as Secretary to the Remuneration Committee. The Company's Head of Reward (Human Resources) also attends meetings by invitation. No Director plays a part in any discussion about his or her own remuneration.

The Remuneration Committee was advised during the year by New Bridge Street ("NBS"), a trading name of Aon plc. Neither NBS nor any other part of Aon plc provided other services to the Company during 2016. NBS attended three of the meetings of the Committee during the year and provided advice on a wide range of issues. Total NBS fees incurred for advising the Remuneration Committee in 2016 were £54,754 excluding VAT. NBS also provided share plan implementation services to the Company. The terms of engagement between the Company and NBS are displayed on the Company's website. NBS are members of the Remuneration Consultants Group and are signatories to its Code of Conduct.

The Committee monitors the relationship with external advisers on a regular basis and remains confident that NBS is independent and that no conflicts of interest exist.

Statement of shareholder voting at 2016 AGM

At the 2016 AGM the Directors' Remuneration Report received the following votes from ordinary shareholders:

	2015 Annual Report on Remuneration	
	Total number of votes	% of votes cast
For[1]	74,666,440	96.06%
Against	3,060,434	3.94%
Abstentions[2]	58,120	
Total (excluding abstentions)	77,726,874	

[1] Including discretionary.
[2] Abstentions are not included in calculating percentages of votes cast for and against.

Audited information

Single total figure of remuneration for each Director

Name of Director		Fees/Basic salary £'000	Benefits[1] £'000	Annual bonuses £'000	Long-term incentives £'000	Pension £'000	Total £'000
Executive Directors							
Ashley Highfield	2016	430	11	–	–	115	**556**
	2015	430	11	25	–	115	**581**
David King	2016	275	11	–	–	33	**319**
	2015	275	11	16	–	33	**335**
Non-Executive Directors							
Ian Russell[2]	2016	130	–	–	–	–	**130**
	2015	130	–	–	–	–	**130**
Camilla Rhodes	2016	50	–	–	–	–	**50**
	2015	47	–	–	–	–	**47**
Ralph Marshall	2016	40	–	–	–	–	**40**
	2015	40	–	–	–	–	**40**
Mike Butterworth[3]	2016	26	–	–	–	–	**26**
	2015	n/a	n/a	n/a	n/a	n/a	**n/a**
Kjell Aamot	2016	40	–	–	–	–	**40**
	2015	40	–	–	–	–	**40**
Mark Pain[4]	2016	37	–	–	–	–	**37**
	2015	55	–	–	–	–	**55**
Stephen van Rooyen[4]	2016	15	–	–	–	–	**15**
	2015	40	–	–	–	–	**40**

Notes:

1 Benefits for the Executive Directors included healthcare insurance, car allowance, telephone and life assurance.
2 Ian Russell resigned on 31 December 2016.
3 Mike Butterworth joined the Board on 1 June 2016.
4 Mark Pain left the Board on 31 August 2016 and Stephen van Rooyen left the Board on 18 May 2016.

2016 Annual bonus out-turn

The 2016 Annual Bonus Plan for the Chief Executive Officer and the Chief Financial Officer was based upon the following measures. None of the payment thresholds were reached and so no bonus becomes payable.

	Result outcome	Bonus payment threshold Minimum	Maximum
Adjusted EBITDA	£43.8m	£52.7m	£55.4m
Total revenue	£204.1m	£218.8m	£230.3m
Net debt	£180.1m	£179.0m	£171.5m

Annual Report on Directors' Remuneration continued

Long-term incentives vesting in relation to performance ending in 2016

Awards made to Executive Directors in 2013 under the Performance Share Plan were subject to EPS and TSR performance conditions measured over three years, with 50% of the total award based on each. Neither condition was met for either award and the awards therefore lapsed.

Share awards granted in 2016

	Scheme	Basis of award granted	Shares awarded	Face value of award	Maximum vesting (% of face value)	Percentage vesting for threshold performance	Vesting period
Ashley Highfield	PSP	125% of 2016 salary	1,247,099	£537,500	100%	25% under TSR element. 25% under EPS element.	Performance measured over three years. Awards will vest on the third anniversary of grant, subject to performance conditions and continued employment.
David King	PSP	125% of 2016 salary	797,563	£343,750	100%	25% under TSR element. 25% under EPS element.	Performance measured over three years. Awards will vest on the third anniversary of grant, subject to performance conditions and continued employment.

The relative TSR performance condition for the 2016 PSP awards measures the Company's TSR performance against a comparator group comprising the FTSE All Share Media companies (excluding any FTSE 100 companies) as at the date of grant. For a ranking below median, none of this element of the award will vest. For a median ranking, 25% of this element of the award will vest, rising on a straight line basis to full vesting of this element for a ranking at or above upper quartile.

The EPS range for the 2016 award is based on EPS growth over the three financial years: 2016 to the end of 2018. 25% of this part of the award will vest for underlying basic EPS (after adding back exceptional costs) in 2018 of 15p, with full vesting for achieving 17p or better. The Committee is satisfied that the above target range is sufficiently stretching in light of internal and external expectations.

No awards were made under the Deferred Share Bonus Plan during 2016 as the committee decided that bonus payments in respect of 2015 performance were relatively small and did not warrant the cost and administrative burden of deferral.

Outstanding share awards

The table below sets out details of the Executive Directors' outstanding awards under the Performance Share Plan (PSP), Deferred Share Bonus Plan (DSBP) and the Value Creation Plan (VCP), including those awards made in 2016 and shown in the previous table.

Name of Director	Type of award[1]	Date of award	Applicable share price at grant (pence)[2]	Number of shares at 2 January 2016	Lapsed during the period	Exercised during the period	Number of shares at 31 December 2016	Date from which exercisable	Expiry date
Ashley Highfield									
	PSP	05/06/13	250.79p	138,759	(138,759)	-	-	05/06/16	04/06/23
	PSP (matching shares)	12/12/14	159.75p	50,078	-	-	50,078	12/12/17	11/12/24
	PSP	26/05/15	154.9p	277,598	-	-	277,598	26/05/18	25/05/25
	PSP	24/03/16	43.1p	-	-	-	1,247,099	24/03/19	23/03/26
	DSBP	06/06/12	92.1p	14,377	-	(14,377)	-	15/03/15	14/03/17
	DSBP	22/05/13	225.14p	42,196	-	-	42,196	15/04/16	14/04/18
	DSBP[3]	15/07/14	194.5p	20,565	-	-	20,565	15/07/17	14/07/19
	DSBP[3]	26/05/15	142.75p	169,345	-	-	169,345	01/04/18	31/03/20
	VCP	22/09/14	231p	3,176,315	-	-	3,176,315	23/06/17	23/06/18
David King									
	PSP	05/06/13	250.79p	69,379	(69,379)	-	-	05/06/16	04/06/23
	PSP	26/05/15	154.9p	177,533	-	-	177,533	26/05/18	25/05/25
	PSP	24/03/16	43.1p	-	-	-	797,563	24/03/19	23/03/26
	DSBP[3]	15/07/14	194.5p	8,569	-	-	8,569	15/07/17	14/07/19
	DSBP[3]	26/05/15	142.75p	93,891	-	-	93,891	01/04/18	31/03/20
	VCP	22/09/14	231p	1,588,157	-	-	1,588,157	23/06/17	23/06/18

1 Outstanding awards under the Performance Share Plan are subject to three-year EPS and TSR conditions, each with equal weighting. Following an amendment to the scheme rules in 2015 awards which vest may now be exercised up until the tenth anniversary of the date of award.

2 Where applicable share prices as at the date of grant have been adjusted to take account of the Capital Refinancing Plan and the Share Capital Consolidation, both conducted in 2014.

3 Awards under the Deferred Share Bonus Plan are in respect of 50% of 2013 and 2014 annual bonus, deferred into shares in the form of nil-cost options. Share grants in respect of bonus for 2013 were not made in 2014 because of prolonged restricted period, and were subsequently made on 26 May 2015 at the values shown in the table above. In respect of Awards for 2013, the 'Date of Award' reflects the date of the payment of the cash element of bonus (with the Deferred Share Bonus Award subsequently being made on 26 May 2015).

Annual Report on Directors' Remuneration continued

Table of Directors' share interests

The share interests of each person who was a Director of the Company during the year as at 31 December 2016 (together with interests held by his or her connected persons) were as follows:

	Legally owned	PSP awards		Deferred share bonus awards		SAYE		VCP		Total legally owned at 31 December 2016	% of salary held under Share-holding Policy[1]
	2 January 2016	Unvested	Vested	Unvested	Vested	Unvested	Vested	Unvested	Vested	31 December 2016	% salary at 31 December 2016
Executive Directors											
Ashley Highfield	345,023	1,574,775	–	189,910	42,196	4,703	–	3,176,315	–	352,598	10.9%
David King	20,000	975,096	–	102,460	–	–	–	1,588,157	–	20,000	1.0%
Non-Executive Directors											
Ian Russell	248,902	–	–	–	–	–	–	–	–	248,902	n/a
Camilla Rhodes	22,746	–	–	–	–	–	–	–	–	22,746	n/a
Ralph Marshall	39,836	–	–	–	–	–	–	–	–	39,836	n/a
Mike Butterworth	–	–	–	–	–	–	–	–	–	–	n/a
Kjell Aamot	59,724	–	–	–	–	–	–	–	–	59,724	n/a
Mark Pain	34,148	–	–	–	–	–	–	–	–	34,148	n/a
Stephen van Rooyen	9,767	–	–	–	–	–	–	–	–	9,767	n/a

[1] Holdings expressed as % of salary based on share price at 3 January 2017 of 13.34p (the opening price on this date which was the first day of share trading on the London Stock Exchange in 2017). On 1 April 2016 Ashley Highfield exercised 14,377 shares relating to the award of 6 June 2012 under the Deferred Share Bonus Plan; 6,802 shares were sold at 41p to cover tax and NI resulting in a net gain of 7,575 shares.

Executive Directors are expected to retain 50% of shares which vest under executive share plans, after allowing for sufficient sales of shares to meet tax liabilities, until a holding to the value of 200% and 150% of salary has been achieved by the Chief Executive Officer and Chief Financial Officer respectively.

Payments for loss of office

There were no payments for loss of office made to Executive Directors in 2016.

Payments to past Directors

With the exception of pension payments, no payments to past Directors were made in 2016.

Unaudited information
Change in remuneration of the Chief Executive

This table shows the change in value of salary, benefits and annual bonus for the Chief Executive Officer and other employees from 2015 to 2016.

	Base salary % change	Taxable benefits % change	Bonus % change
CEO	0%	0%	(100%)
Salaried employees	0%	0%	(100%)

For comparison purposes, salaried employees include all those, excluding sales employees, who are eligible for an annual performance bonus.

Relative importance of spend on pay

The following table sets out the percentage change in ordinary dividends and overall spend on employee pay in 2016 compared to 2015.

	2016 £m	2015 £m	% change
Dividends	–	–	–
Employee remuneration costs	93	98	(5%)

Total shareholder return chart and Chief Executive Officer's single figure remuneration history

The chart below shows the Company's TSR performance compared with that of the performance of the FTSE SmallCap and the FTSE All Share Media sector since 2008. As a member of both indices, the Committee believes these are relevant to compare the Company's performance against.

This graph shows the value, by 01 January 2017, of £100 invested in Johnston Press plc on 31 December 2008, compared with the value of £100 invested in the FTSE SmallCap and FTSE All Share Media Indices on the same date.

The other points plotted are values at intervening financial year-ends.

Source: Datastream (Thomson Reuters).

The six-year single figure of remuneration history for the Chief Executive Officer is shown in the table below. In line with reporting requirements, this table will grow to a 10-year history:

Financial year		2009	2010	2011	2012	2013	2014[2]	2015	2016
Single figure remuneration (£'000)	Ashley Highfield	–	–	115.0	702	592	1,649	581	569
	John Fry[1]	696.5	705.0	593.5	–	–	–	–	–
Annual bonus outcome (% of maximum bonus)	Ashley Highfield	–	–	32.5%	39.6%	16.7%	65.5%	4.9%	–
	John Fry	53.3%	58.4%	36.4%	–	–	–	–	–
LTIP vesting outcome (% of maximum)	Ashley Highfield	–	–	–	–	–	50%	–	–
	John Fry	–	–	–	–	–	–	–	–

1 John Fry, the previous Chief Executive Officer, stepped down as Director and CEO on 31 October 2011 and Ashley Highfield commenced employment on 1 November 2011.

2 The higher single figure value for 2014 reflects the first vesting opportunity for Mr Highfield under the PSP. As disclosed earlier, 50% of the awards vested and the figure reflects an uplift from strong share price performance (171% TSR) over the vesting period.

Approval

This report was approved by the Board of Directors on 29 March 2017 and signed on its behalf by:

Camilla Rhodes

Camilla Rhodes
Chair, Remuneration Committee

Directors' Report

Johnston Press plc is incorporated as a public limited company and is registered in Scotland with the registered number 15382. Johnston Press plc's registered office is Orchard Brae House, 30 Queensferry Road, Edinburgh, EH4 2HS.

The Directors present the Annual Report and Accounts for the period ended 31 December 2016. References to 'Johnston Press', the 'Group', and the 'Company', 'we' or 'our' are to Johnston Press plc or to Johnston Press and its subsidiary companies where appropriate.

Pages 68 to 72, inclusive of this Annual Report, comprise the Directors' Report that has been drawn up and presented in accordance with relevant company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Details of significant events since the balance sheet date are contained in Note 32 to the financial statements. An indication of likely developments in the business of the Company and details of research and development activities are included in the Strategic Report.

Forward-looking statements

This Annual Report and Accounts contains certain forward-looking statements with respect to principal risks and uncertainties facing the Group. By their nature, these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by those forward-looking statements. No assurances can be given that the forward-looking statements are reasonable as they can be affected by a wide range of variables. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report and Accounts and will not be updated during the year. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

Dividends

No interim dividend was paid on the Company's ordinary shares and the Directors recommend no final dividend for the period. The dividend (the 'Preference Dividend') payable on the Company's 13.75% preference shares and 13.75% 'A' preference shares (together the 'Preference Shares') was paid in June 2016. Due to the Company lacking distributable reserves the Preference Dividend was not paid in December 2016. The Company's Articles of Association provide that if, as at the date of notice convening a general meeting of the Company, the Preference Dividend is in arrears each holder of Preference Shares shall be entitled to attend and to have one vote on a show of hands, or one vote on a poll for each £1 nominal value of Preference Share capital held by them.

Share capital and capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital are shown in Note 25. The Company's issued ordinary share capital was 105,877,777 shares at 31 December 2016 and there were no changes during the period.

As part of the refinancing completed on 28 August 2009, the Company issued warrants over 5.0% of its issued share capital to the Group's lenders at that time, exercisable at any time over the five-year period ended 27 August 2014 (the 'First Issue Warrants'). As part of the refinancing completed on 24 April 2012: (i) the exercise period for the First Issue Warrants was extended to 30 September 2017 (the 'Warrant Expiry Date'), (ii) the Company issued further warrants over just under 2.5% of its issued share capital to the Group's lenders at that time (the 'Second Issue Warrants') and (iii) the Company undertook that on or before 30 September 2012, and subject to receiving all necessary shareholder approvals, authorisations and powers, it would issue further warrants over just under an additional 5.0% of its issued share capital as at 23 April 2012 to the Group's lenders at that time (the 'Third Issue Warrants'). The Third Issue Warrants were subsequently issued on 25 September 2012. Each of the First Issue Warrants, Second Issue Warrants and Third Issue Warrants (together the 'Warrants') were adjusted in 2014 in accordance with their terms to take account of the capital refinancing plan and share capital re-organisation which were both undertaken that year and constituted Adjustment Events under the terms of the relevant Warrant Instruments. Each Warrant comprises the right to subscribe for 0.15338 ordinary shares at a price of 197.45 pence per ordinary share at any time prior to the Warrant Expiry Date. During the period no Warrants were exercised. At the balance sheet date 30,359,979 warrants were outstanding which, in aggregate, equates to a right to subscribe for 4,656,598 ordinary shares.

The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. Each of the Company's two classes of redeemable cumulative Preference Shares carry 13.75% interest but do not carry voting rights other than when dividends payable in respect of such shares are in arrears. The percentage of the issued nominal value of the ordinary shares is 0.91% of the total issued nominal value of all share capital.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in Note 29.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. With regards to the appointment and replacement of Directors, the Company is governed by its Articles of Association (the 'Articles'), the United Kingdom Corporate Governance Code issued by the Financial Reporting Council (the 'Code'), the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Articles and in a schedule of matters reserved for approval of the Board, which are summarised in the Corporate Governance Statement on pages 40 to 46.

Substantial shareholdings

So far as the Directors are aware the only holders of 3% or more of the ordinary share capital of the Company and any other major shareholders, other than Directors, (as at the date of this report) are as follows:

	% holding	Ordinary shares of 1p each number
Crystal Amber Fund Limited	21.36%	22,848,184
Ananda Krishnan Tatparanandam/Pan Ocean Management Ltd	10.63%	11,254,934
Majedie Asset Management Limited	9.87%	10,447,238
River & Mercantile Asset Management LLP	9.48%	10,041,197
Artemis Investment Management LLP	6.43%	6,810,557
Sir Raymond Stanley Tindle	6.00%	6,352,667

All interests disclosed to the Company in accordance with DTR 5 that have occurred since 31 December 2016 can be found at our corporate website: www.johnstonpress.co.uk/investors.

Directors and their interests

Under the Company's Articles of Association, each Director is subject to retirement every three years and to election at the first AGM after their appointment. In 2016, all the Directors who wished to continue in office offered themselves for re-election at the AGM. All Directors who wish to continue in office will offer themselves for re-election in 2017. As a consequence, Camilla Rhodes, Ashley Highfield, David King and Kjell Aamot will offer themselves for re-election, and Mike Butterworth will stand for election at the forthcoming AGM.

The Directors who held office at 31 December 2016 had the following interests in the ordinary share capital of the Company:

Ordinary shares of 1p each	% of share capital	31 December 2016
Ian Russell (resigned 31 December 2016)	0.25%	269,808
Ashley Highfield	0.33%	352,598
David King	0.02%	20,000
Ralph Marshall	0.04%	39,836
Camilla Rhodes	0.02%	22,746
Kjell Aamot	0.06%	59,724
Mike Butterworth (appointed 1 June 2016)	-	-

In addition to the shareholdings shown above, which are all held beneficially, and the share options as shown on page 65, Ashley Highfield and David King held interests in 552,272 (2015: 596,388) shares at 31 December 2016 by virtue of their status as potential beneficiaries of the Johnston Press plc Employee Share Trust.

Since 31 December 2016, no Director has purchased shares through the Share Incentive Plan.

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.

Directors' liability

As permitted by the Companies Act 2006 (the 'Act'), the Company has insurance cover for the Directors against liabilities in relation to the Group.

Directors' Report continued

Employee involvement
It is the policy of the Group to encourage and develop all members 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 and the Company has a comprehensive training and development programme creating the opportunity for employees to maintain and improve their performance and to develop their potential to a maximum level of attainment. In this way, staff will make their best possible contribution to the organisation's success. The Group supports the principle of equal opportunities in employment and opposes all forms of unlawful or unfair discrimination on the grounds of race, age, nationality, religion, ethnic or national origin, sexual orientation, gender or gender reassignment, marital status or disability. It is also the policy of the Group, where possible, to give sympathetic consideration to disabled persons in their application for employment with the Group and to protect the interests of existing members of the staff who are disabled.

Going concern
A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, particularly the Financial Review, the Viability Statement and in the notes to the financial statements.

Financing policy and derivatives
The Group's policies are set out in Notes 2, 21 and 31. These also include details of financial instruments and derivatives.

Change of control
Under the terms of the Senior Secured Notes due in 2019 issued in May 2014 pursuant to the Notes Indenture (the 'Bonds') in the event of a change of control of the Group holders of the bonds will have the right to require the Group to repurchase all or any part of the bonds issued.

Environmental policy
The Board acknowledges that environmental protection is one of the Group's business responsibilities. It aims for a continuous improvement in the Group's environmental performance and to comply with all relevant regulations. A documented environmental policy to monitor performance and to take action where appropriate is in force.

Political contributions
There were no political donations made and no contributions made to non-EU political organisations.

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

Electronic voting
The Company has made provision for shareholders to vote electronically on the Resolutions to be considered at the Annual General Meeting and full instructions are included on the Form of Proxy, issued to shareholders with this Annual Report.

Special business
It is intended that seven Resolutions (Resolutions 11 to 17) will be proposed as are set out under special business in the notice of this year's Annual General Meeting. Resolutions 11 to 13 will be proposed as Ordinary Resolutions and the others as Special Resolutions requiring a majority of not less than 75% of votes cast at the Annual General Meeting. The full text of each Resolution will be set out in the Notice of Annual General Meeting which will be distributed to shareholders shortly.

Resolution 11 seeks approval to amend the rules of the Johnston Press Sharesave Plan 2007 to extend the final date on which options may be granted from 26 April 2017 to the date which is the tenth anniversary of the date of the Annual General Meeting in 2017. The next resolution, Resolution 12, would authorise the Company to make awards of the Johnston Press Performance Share Plan 2006 without performance conditions, in line with the remuneration policy being proposed to shareholders at the Annual General Meeting.

The purpose of Resolution 13 is to renew the Directors' authority to allot shares in the Company. Paragraph (i) of Resolution 13 seeks authority to allot shares, and to grant rights to subscribe for or convert any security into shares in the Company up to a maximum nominal amount representing approximately 33.33% of the existing issued ordinary share capital of the Company. The second part of Resolution 13 will also allow Directors to allot, including the ordinary shares referred to in paragraph: (i) of this Resolution, ordinary shares in connection with a pre-emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount representing approximately 66.67% of the Company's existing ordinary share capital as at the latest practicable date prior to the publication of the Notice of Annual General Meeting. The Directors anticipate using this power in connection with employee share schemes or on conversion of existing warrants, and the authority, if approved, will expire at the end of the Annual General Meeting in 2018.

The fourth resolution, Resolution 14 (which is the first of the four special resolutions), relates to the power given to the Directors to allot equity securities for cash without the statutory pre-emption provisions of the Companies Act 2006 (the 'Act') applying. In accordance with best practice guidelines, this authority is limited to allotments representing in total up to 5% of the existing issued ordinary share capital and to allotments in connection with a rights issue. Your Directors will continue to have due regard to institutional guidelines in relation to any exercise of this power, in particular the requirement for advance consultation and explanation before making any non-pre-emptive cash issue pursuant to this authority and in particular they do not intend to allot shares for cash on a non-pre-emptive basis pursuant to this power in excess of an amount equal to 7.5% of the total issued share capital of the Company in any rolling three-year period without prior consultation with shareholders in each case other than in connection with an acquisition or specified capital investment (within the meaning of the Pre-Emption Group 2015 Statement of Principles) for the disapplication of pre-emption rights which is announced contemporaneously with the allotment (or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment). The current power (which is limited to 5% and which accords with normal practice), expires on the date of this year's Annual General Meeting. The purpose of the resolution is to renew this power for a further year taking account of current institutional guidelines.

Resolution 15 seeks a further power from shareholders to allot equity securities for cash otherwise than to existing shareholders pro-rata to their holdings to reflect the Pre-emption Group 2015 Statement of Principles. The power will be limited to the allotment of equity securities for cash up to an aggregate nominal value equal to 5% of the Company's issued ordinary share capital as at the latest practicable date prior to the publication of the Notice of Annual General Meeting. This is in addition to the five percent referred to in Resolution 14. The Directors will have due regard to the Statement of Principles in relation to any exercise of this power and confirm that they intend to use it only in connection with a transaction which they have determined to be an acquisition or offer capital investment which is announced contemporaneously with the announcement of the issue, or which has taken place in the preceding six month period and is disclosed in the announcements of the issue.

Resolution 16 will, if passed, give authority for the Company to make purchases of its own ordinary shares in the market. The Directors have no immediate intention of using such authority and would do so only if they consider it to be in the best interests of shareholders generally and that an improvement in earnings per share would result. This Resolution specifies the maximum number of ordinary shares which may be purchased (representing approximately 10% of the Company's existing issued ordinary share capital) and the minimum and maximum prices at which they may be bought.

Resolution 17 is to permit the Company to call general meetings (other than Annual General Meetings) on not less than 14 days' notice as permitted by the Act. The Directors believe that having authority to do so may, in some circumstances, assist with the efficient discharge of the Company's business. The Company intends to continue to provide as much notice as practicable of general meetings and would normally use this authority only where it would be to the advantage of shareholders as a whole.

Auditor

Deloitte LLP, the auditor of the Company, have expressed their willingness to continue in office. Upon the recommendation of the Audit Committee, resolutions to re-appoint them as the Company auditor and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM.

Directors' Report continued

Listing rule requirement

The following table provides references to where the information required by the listing rule 9.8.4R is disclosed.

A statement of the amount of interest capitalised by the group during the period under review with an indication of the amount and treatment of any related tax relief.	Not applicable
Any information required by LR 9.2.18 R (Publication of unaudited financial information).	Not applicable
Details of any long-term incentive schemes as required by LR 9.4.3 R.	Directors' remuneration report pages 62 to 66
Details of any arrangements under which a director of the company has waived or agreed to waive any emoluments from the company or any subsidiary undertaking. Where a director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review.	No such waivers
Details required in the case of any allotment for cash of equity securities made during the period under review otherwise than to the holders of the company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the company's shareholders. The information required under this paragraph (LR 9.8.4 paragraph 7) must be given for any unlisted major subsidiary undertaking of the company.	No such share allotments
Where a *listed company* has listed shares in issue and is a *subsidiary undertaking* of another company, details of the participation by the *parent undertaking* in any placing made during the period under review.	Not applicable
Details of any contract of significance subsisting during the period under review: (a) to which the listed company, or one of its subsidiary undertakings, is a party and in which a director of the listed company is or was materially interested; and (b) between the listed company, or one of its subsidiary undertakings, and a controlling shareholder.	Not applicable
Details of contracts for the provision of services to the company or any of its subsidiary undertakings by the controlling shareholder.	Not applicable
Details of any arrangement under which a shareholder has waived or agreed to waive any dividends, where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.	Not applicable
Board statement in respect of relationship agreement with the controlling shareholder.	Not applicable

Registered office

Orchard Brae House
30 Queensferry Road
Edinburgh
EH4 2HS

Company registration number

SC015382

By order of the Board by:

Peter McCall
Company Secretary
29 March 2017

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union and applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also 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.

The Directors are responsible for the maintenance and integrity of the financial and corporate governance information included on the Company's website (www.johnstonpress.co.uk). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Section 418 of the Companies Act 2006, each Director in office at the date the Directors' Report is approved, confirms that:
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

We confirm that to the best of our knowledge the:
1. financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the *consolidation taken as a whole;*
2. strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
3. *Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information* necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board:

Ashley Highfield
Chief Executive Officer
29 March 2017

David King
Chief Financial Officer
29 March 2017

Financial Statements

CONTENTS

Independent Auditor's Report
to the Members of Johnston Press plc

Opinion on financial statements of Johnston Press plc	In our opinion: • the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the 52 week period then ended; • the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; • the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and • the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. The financial statements comprise: • the Group Income Statement; • the Group Statement of Comprehensive Income; • *the Group Statement of Financial Position;* • the Group Cash Flow Statement; • the Group Statement of Changes in Equity; • the Company Balance Sheet; and • the related notes 1 to 41. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Summary of our audit approach

Key risks	The key risks that we identified in the current year were: • impairment of the publishing titles; • carrying value of the print presses; and • assumptions used in the calculation of the pension liability. Within this report, any new risks are identified with and any risks which are the same as the prior year are identified with . In last year's report we included revenue recognition which is not included in our report this year as we have not found any findings in that area.
Materiality	The materiality that we used in the current year was £996,000 which was determined on the basis of adjusted profit before tax.
Scoping	The group consists of a collection of newspapers and print presses, entirely within the UK. Our scope includes the trade of all continuing operations and we perform our audit using a single audit team. This is detailed further below and is consistent with last year.

Independent Auditor's Report continued
to the Members of Johnston Press plc

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer-term viability of the group contained within the corporate governance statement on page 37.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 44 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 18 and 19 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation on page 45 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Last year our report included revenue recognition which is not included in our report this year as we have not found any findings in that area. We continue to consider the presentation of print and digital advertising revenue as a significant risk and hence a fraud risk. The carrying value of the print presses has been included in our report this year as this is an area which has had a significant impact on our audit strategy due to the material impairments.

Impairment of publishing titles

Risk description	The group holds a significant value of publishing titles held as intangible assets which has been generated through acquisitions of newspapers over the last twenty years. Given the uncertain market environment for newspaper publishers, there are inherent uncertainties in the modelling of future cash flows which require management to exercise judgement. Management have undertaken a detailed process to model their forecast cash flows. Key assumptions in the impairment model include a detailed cash flow forecast derived from the 2017 budget and associated 2 year projections, a long term decline rate of 0%-2% (2015: a growth rate of 1%) and a post-tax discount rate of 11% (2015: 10%). An impairment of £336.9 million has been recognised in the period which results in the remaining carrying value of publishing titles being £143.5 million. Refer to the publishing titles accounting policy in note 2 of the financial statements, the critical accounting judgement in note 3, the detail behind the intangible assets impairment review in note 13 and the Audit Committee report on page 47.
How the scope of our audit responded to the risk	We evaluated management's impairment calculations and have challenged their calculations by: • Considering the sophistication, integrity and appropriateness of the discounted cash flow model used by management; • Considering the identification of appropriate cash-generating units; • Recalculating the discount rates applied to future cash flows, working with our internal valuation specialists to assess the appropriateness of the underlying calculations and assumptions; • Reviewing and challenging management's cash flow assumptions by obtaining evidence to support the revenue and cost assumptions and by comparing assumed growth/decline rates and forecast cash flows against recent trading activity, historic trends and external industry analysis to assess the validity of the assumptions made; • Performing sensitivity analysis based on risks within the cash flows and on the inputs applied (including discount rates and growth rates) to view whether reasonable fluctuations in these assumptions should be considered in determining the impairment recognised in the year; and • Considering the adequacy of the Group's disclosure in respect of its impairment testing and whether the disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions properly reflected the risks inherent in such assumptions.
Key observations	We concur with the level of impairment taken by management and note that the assumptions used in the impairment model, including the discount rate and long term decline rates, were acceptable.

Independent Auditor's Report continued
to the Members of Johnston Press plc

Risk description	The group holds three print presses in Dinnington, Portsmouth and Carn. There has been continued decline in printed newspaper circulation, and with the disposal of 13 titles in East Anglia and East Midlands which were printed in-house, management determined that this represented an indicator of impairment and consequently performed an impairment review. At the half year an impairment of £5.4 million was recognised against the Dinnington and Portsmouth presses. At the year-end, a further impairment of £3.1 million was recognised against the Dinnington press and £3.0 million of the impairment recognised at the half year against the Portsmouth press was reversed due to new contract wins. The closing carrying value of the three print presses is £19.9 million. The directors' assessment of the value-in-use of these presses involves making assumptions about future revenue and cost, short and long-term growth rates, cash generation, the identification of appropriate cash-generating units and the applicable discount rate. Given the uncertain market environment for publishers, there are inherent uncertainties in the modelling of future cash flows which require management to exercise judgement. Refer to the critical accounting judgement in note 3, the property, plant and equipment note in note 14 and the Audit Committee Report on page 47.
How the scope of our audit responded to the risk	We evaluated management's impairment calculations and have challenged their calculations by: · Reviewing management's rationale behind identifying an impairment trigger; · Confirming that the impairment model used was consistent with the model used for the publishing titles, as detailed in the risk above; · Evaluating whether each print press represented its own cash-generating unit; · Reviewing and challenging management's cash flow assumptions by challenging growth assumptions and obtaining supporting evidence including new contracts; · Comparing forecast cash flows against recent trading activity, historical trends and external industry analysis; · Assessing the appropriateness of the reversal of the impairment recognised at the half year and obtaining supporting evidence such as new contracts; · Evaluating whether it is appropriate to use the same discount rate as used in the impairment model for the publishing titles; and · Reviewing management's sensitivity analysis, and performing our own sensitivities based on risks within the cash flows to conclude whether reasonable fluctuations in these assumptions should increase the impairment.
Key observations	We concur with the level of impairment taken by management and note that the assumptions used in the print presses impairment model were reasonable. We highlight that management have reversed an impairment taken at the half-year, and disclosed in the half year report, in Portsmouth for £3.0 million.

Assumptions used in the calculation of the pension liability

Risk description	The net pension deficit on the Consolidated Balance Sheet, and as disclosed in Note 22 of the financial statements, has increased in the year from £27.0 million to £67.7 million, and the gross liability has increased from £500.4 million to £615.6 million. There is significant judgement involved in the valuation of the retirement benefit obligations, particularly in relation to determining the assumptions underlying the valuation of liabilities of the scheme, including mortality rates, the discount rate and inflation rates. Management include pension assumptions as a key source of estimation uncertainty in note 3 of the accounts. In the 52 week period ended 2 January 2016 (the prior year) the Company performed a health study to assess the current health of existing Plan members which was used to amend the mortality assumption. At our request, management have updated the results of this study to reflect recent information, in particular actual mortality experience. Refer to the valuation of pension liabilities critical accounting policy in note 3, the disclosures around the retirement benefit obligation in note 22 and the Audit Committee Report on page 47.
How the scope of our audit responded to the risk	We evaluated the appropriateness of the principal actuarial assumptions used in the calculation of the Group's pension commitments prepared by the Group's actuary by using our internal actuarial experts. Our audit procedures included: · Benchmarking the assumptions for discount rates, mortality rates and inflation rates against a relevant comparator group; · Assessing past mortality experience against the Group's updated mortality assumption; · Performed procedures on the completeness and accuracy of the underlying membership data; and · Assessing the methodology used to determine the gross liability.
Key observations	The assumptions are deemed to be within an acceptable range.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report continued
to the Members of Johnston Press plc

Our application of materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£996,000 (2015: £1,350,000).
Basis for determining materiality	4.3% (2015: 5.0%) of adjusted profit before tax.
Rationale for the benchmark applied	Pre-tax profit has been adjusted (as shown on page 133) as this is a key measure used by investors and is the measure which is focused on in the front half of the Annual Report as this is how management monitor the business.

Our audit work was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged between £0.02 million and £0.90 million (2015: £0.05 and £1.30 million).

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £50,000 (2015: £50,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
Our group audit incorporated the main trading business, Johnston Publishing Ltd, the company which owns the 'i' newspaper, Johnston Publications Ltd, certain head office companies as well as the ultimate parent company. These companies represent the principal business units and account for all (FY15: 100%) of the group's net assets, all (FY15: 99%) of the group's revenue and all (FY14: 98%) of the group's profit before tax.

All of our audit work was performed by one team, with no use of component auditors, and was led by the Senior Statutory Auditor.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report arising from these matters.

Corporate Governance Statement
Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:
- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with *International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control* procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

David Bell CA
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
29 March 2017

Group Income Statement
For the 52-week period ended 31 December 2016

	Notes	52 weeks ended 31 December 2016 £'000	52 weeks ended 2 January 2016 £'000
Continuing operations			
Revenue	4	**222,699**	242,083
Cost of sales		**(143,054)**	(139,939)
Gross profit		**79,645**	102,144
Operating expenses		**(58,385)**	(66,593)
Impairment and write downs		**(344,326)**	(35,234)
Total operating expenses		**(402,711)**	(103,903)
Operating (loss)/profit	4, 5	**(323,066)**	317
Financing			
Investment income	7	**73**	854
Net finance expense on pension liabilities/assets	8a	**(831)**	(2,933)
Change in fair value of borrowings	8b	**43,619**	23,918
Finance costs	8c	**(20,056)**	(19,973)
Total net finance income		**22,805**	1,866
(Loss)/profit before tax		**(300,261)**	2,183
Tax	9	**53,371**	8,538
(Loss)/profit from continuing operations		**(246,890)**	10,721
Net profit from discontinued operations	10	**28**	710
Consolidated (loss)/profit for the period		**(246,862)**	11,431

The accompanying notes are an integral part of these financial statements.

	Notes	52 weeks ended 31 December 2016	52 weeks ended 2 January 2016
From continuing and discontinuing operations			
(Loss)/earnings per share (p)			
(Loss)/earnings (£m)	12	**(247.0)**	11.3
Weighted average number of shares (m)	12	**105.3**	105.3
Basic	12	**(234.5)**	10.7
Diluted	12	**(234.5)**	10.7
From continuing operations			
(Loss)/earnings per share (p)			
(Loss)/earnings (£m)	12	**(247.0)**	10.6
Weighted average number of shares (m)	12	**105.3**	105.3
Basic	12	**(234.6)**	10.0
Diluted	12	**(234.6)**	10.0

Group Statement of Comprehensive Income

For the 52-week period ended 31 December 2016

	Revaluation reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Loss for the period	-	-	(246,862)	(246,862)
Other items of comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Actuarial loss on defined benefit pension schemes	-	-	(45,799)	(45,799)
Deferred tax on pension balances	-	-	6,337	6,337
Current tax on pension contribution relating to actuarial valuation loss	-	-	1,073	1,073
Total items that will not be reclassified subsequently to profit or loss	-	-	(38,389)	(38,839)
Items that may be reclassified subsequently to profit or loss				
Revaluation adjustment	(3)	-	-	(3)
Exchange differences on translation of foreign operations	-	(62)	-	(62)
Total items that may be reclassified subsequently to profit or loss	(3)	(62)	-	(65)
Total other comprehensive loss for the period	(3)	(62)	(38,389)	(38,454)
Total comprehensive loss for the period	(3)	(62)	(285,251)	(285,316)

For the 52-week period ended 2 January 2016

	Revaluation reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Profit for the period	-	-	11,431	11,431
Other items of comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain on defined benefit pension schemes	-	-	57,648	57,648
Deferred tax on pension balances	-	-	(10,956)	(10,956)
Total items that will not be reclassified subsequently to profit or loss	-	-	46,692	46,692
Items that may be reclassified subsequently to profit or loss				
Revaluation adjustment	(2)	-	-	(2)
Exchange differences on translation of foreign operations	-	(245)	-	(245)
Total items that may be reclassified subsequently to profit or loss	(2)	(245)	-	(247)
Total other comprehensive (loss)/gain for the period	(2)	(245)	46,692	46,445
Total comprehensive (loss)/gain for the period	(2)	(245)	58,123	57,876

Group Statement of Changes in Equity
For the 52-week period ended 31 December 2016

	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Revaluation reserve £'000	Own shares £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Opening balances	**116,171**	**312,702**	**6,963**	**1,731**	**(3,582)**	**9,320**	**(184,290)**	**259,015**
(Loss) for the period	-	-	-	-	-	-	**(246,862)**	**(246,862)**
Other comprehensive (loss) for the period	-	-	-	**(3)**	-	**(62)**	**(38,389)**	**(38,454)**
Total comprehensive (loss) for the period	-	-	-	**(3)**	-	**(62)**	**(285,251)**	**(285,316)**
Recognised directly in equity:								
Preference share dividends (Note 11)	-	-	-	-	-	-	**(152)**	**(152)**
Share-based payments charge (Note 29)	-	-	**1,832**	-	-	-	-	**1,832**
Deferred bonus plan exercised[1]	-	-	**(64)**	-	**251**	-	**(187)**	-
Release of SBP reserve for expired share schemes	-	-	**(531)**	-	-	-	**531**	-
Net changes directly in equity	-	-	**1,237**	-	**251**	-	**192**	**1,680**
Total movements	-	-	**1,237**	**(3)**	**251**	**(62)**	**(285,059)**	**(283,642)**
Equity/(deficit) at the end of the period	**116,171**	**312,702**	**8,200**	**1,728**	**(3,331)**	**9,258**	**(469,349)**	**(24,621)**

[1] Includes release of own shares to retained earnings on exercise of options in the current financial period.

For the 52-Week Period Ended 2 January 2016

	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Revaluation reserve £'000	Own shares £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Opening balances	116,171	587,702	13,780	1,733	(5,206)	9,565	(523,764)	199,981
Profit for the period	-	-	-	-	-	-	11,431	11,431
Other comprehensive (loss)/profit for the period	-	-	-	(2)	-	(245)	58,123	57,876
Recognised directly in equity:								
Preference share dividends (Note 11)	-	-	-	-	-	-	(152)	(152)
Share-based payments charge (Note 29)	-	-	2,188	-	-	-	-	2,188
Share capital reduction (Note 26)[1]	-	(275,000)	-	-	-	-	275,000	-
Performance share plan exercised	-	-	(321)	-	321	-	-	-
Company share option plan exercised	-	-	-	-	17	-	-	17
Deferred bonus plan exercised	-	-	(18)	-	18	-	-	-
Purchase of own shares	-	-	-	-	(895)	-	-	(895)
Release of SBP reserve for expired share schemes[2]	-	-	(8,666)	-	-	-	8,666	-
Release of own shares[3]	-	-	-	-	2,163	-	(2,163)	-
Net changes directly in equity	-	(275,000)	(6,817)	-	1,624	-	281,351	1,158
Total movements	-	(275,000)	(6,817)	(2)	1,624	(245)	339,474	59,034
Equity/(deficit) at the end of the period	116,171	312,702	6,963	1,731	(3,582)	9,320	(184,290)	259,015

[1] During 2015 the Group reduced its share premium by £275 million increasing distributable reserves; see Note 26 for full details.
[2] On lapse of schemes balances held are released to distributable reserves.
[3] Includes release of own shares to retained earnings on exercise of options in the current and prior financial periods.

The accompanying notes are an integral part of these financial statements.

Group Statement of Financial Position
At 31 December 2016

	Notes	31 December 2016 £'000	2 January 2016 £'000
Non-current assets			
Intangible assets	13	**152,050**	479,047
Property, plant and equipment	14	**36,684**	52,713
Available for sale investments	15	**970**	970
Trade and other receivables	20	**1**	2
		189,705	532,732
Current assets			
Assets classified as held for sale	18	**16,384**	82
Inventories	19	**2,262**	2,383
Trade and other receivables	20	**30,757**	31,628
Current tax asset		**-**	247
Cash and cash equivalents		**16,058**	40,564
		65,461	74,904
Total assets		**255,166**	607,636
Current liabilities			
Trade and other payables	20	**37,245**	42,043
Current tax liabilities		**25**	-
Retirement benefit obligation	22	**10,316**	10,016
Short-term provisions	24	**3,026**	1,835
		50,612	53,894
Non-current liabilities			
Borrowings	21	**143,000**	186,619
Retirement benefit obligation	22	**57,409**	16,946
Deferred tax liabilities	23	**23,739**	84,196
Trade and other payables	20	**3,477**	3,325
Long-term provisions	24	**1,550**	3,641
		229,175	294,727
Total liabilities		**279,787**	348,621
Net (liabilities)/assets		**(24,621)**	259,015
Equity			
Share capital	25	**116,171**	116,171
Share premium account	26	**312,702**	312,702
Share-based payments reserve		**8,199**	6,963
Revaluation reserve		**1,728**	1,731
Own shares		**(3,331)**	(3,582)
Translation reserve		**9,259**	9,320
Retained earnings		**(469,349)**	(184,290)
Total shareholders (deficit)/equity		**(24,621)**	259,015

The financial statements of Johnston Press plc, registered in Scotland (number 15382), were approved by the Board of Directors and authorised for issue on 29 March 2017.

They were signed on its behalf by:

Ashley Highfield
Chief Executive Officer

David King
Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

Group Cash Flow Statement

For the 52-week period ended 31 December 2016

	Notes	52 weeks to 31 December 2016 £'000	52 weeks to 2 January 2016 £'000
Cash flow from operating activities			
Cash generated from operations	27	**16,268**	41,087
Cash consumed by discontinued operations		**(395)**	(70)
Income tax received/(paid)		**600**	(816)
Net cash inflow from operating activities		**16,473**	40,201
Investing activities			
Interest received		**73**	148
Dividends received		**-**	706
Proceeds on disposal of intangible assets		**90**	-
Proceeds on disposal of subsidiary		**4,250**	-
Proceeds on disposal of property, plant and equipment		**716**	200
Proceeds on disposal of assets held for sale		**1,526**	2,139
Proceeds on disposal of investments in associates		**-**	10
Expenditure on digital intangible assets	13	**(2,690)**	(1,772)
Purchases of property, plant and equipment	14	**(3,432)**	(6,076)
Acquisition of publishing titles		**(22,000)**	-
Expenditure incurred on disposal of discontinued operations		**(73)**	(46)
Net cash used in investing activities		**(21,540)**	(4,691)
Financing activities			
Purchase of own shares		**-**	(895)
Dividends paid	11	**(76)**	(304)
Interest paid		**(19,363)**	(19,658)
Repayment of bond		**-**	(4,900)
Financing fees		**-**	(25)
Proceeds from employee share scheme exercise		**-**	19
Net cash used in financing activities		**(19,439)**	(25,763)
Net (decrease)/increase in cash and cash equivalents		**(24,506)**	9,747
Cash and cash equivalents at the beginning of period		**40,564**	30,817
Cash and cash equivalents at the end of the period		**16,058**	40,564

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements
For the 52 week period ended 31 December 2016

1. Basis of preparation

Johnston Press plc ('Johnston Press' or 'the Group') is a public limited liability company incorporated in Scotland under the Companies Act 2006 and listed on the London Stock Exchange. The registered office is Orchard Brae House, 30 Queensferry Road, Edinburgh, EH4 2HS. The principal activities of the Group are described in the Operational Review and Financial Review sections of the Strategic Report.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

These financial statements have been prepared for the 52-week period ended 31 December 2016 (2015: 52-week period ended 2 January 2016).

The significant accounting policies used in preparing this information are set out in Note 2.

The financial statements have also been adjusted, where appropriate, by new or amended IFRS's described below.

These financial statements have been prepared on a going concern basis (discussed further in the Financial Review on page 24) and under the historical cost basis except for the revaluation of certain properties and financial instruments, share-based payments and defined benefit pension obligations that are measured at revalued amounts or fair value at the end of each reporting period.

2. Significant Accounting Policies

Adoption of new or amended standards and interpretations in the current year

The following new and amended IFRS's have been adopted for the 52-week period which commenced 3 January 2016 and ended 31 December 2016.

Accounting standard	Requirements	Impact on financial statements
Annual improvements to IFRSs 2012-2014 cycle	Minor amendments to IFRS 5 - Non-current assets held for sale and discontinued operations and IFRS 7 - Financial Instruments: Disclosures and IAS 19 - Employee Benefits and IAS 34 Interim Financial Reporting.	Minor revisions taken into consideration when applying standards.
Amendments to IFRS 10 'Consolidated financial statements' IFRS 12 'Disclosure of interests in other entities' and IAS28 'Investments in associates' on Investment entities: Applying the consolidation exemption	Clarifies the requirements when accounting for investment entities.	None - no structural complexity giving rise to consideration of these technical changes.
Amendment to IFRS 11 'Joint arrangements' on accounting for acquisition of interests in joint operations	Adds new guidance on how to account for the acquisition of an interest in a joint operation that is a business.	None - not applicable.
Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' on clarification of acceptable methods of depreciation and amortisation	Prohibits revenue-based depreciation methods and generally presumes that such methods are an inappropriate basis for amortising intangible assets.	None - refer Note 13 - Intangible Assets and Note 14 - Property, Plant and Equipment.
Amendments to IAS 27 'Separate financial statements' on equity method in separate financial statements	Allows entities to use the equity method to account for investment in subsidiaries, joint ventures and associates in their separate financial statements.	None - not applicable.
Amendments to IAS 1 'Presentation of financial statements' - Disclosure Initiative	Encourages companies to apply professional judgement in determining what information to disclose in their financial statements.	Minor - requirements on materiality, order of notes, disaggregation, subtotals and accounting policies considered in relation to the financial information overall.

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

2. Significant Accounting Policies continued
New and amended standards applicable for annual periods beginning in 2017 and beyond
The following new standards, which are applicable to the Group, have been published but are not yet effective and have not yet been adopted by the EU:

Accounting standard	Requirements	Mandatory application date
Amendments to IAS 12 – 'Recognition of Deferred Tax Assets for Unrealised Leases	Clarifies how to account for deferred tax assets related to debt instruments measured at fair value.	Applicable to annual periods beginning on or after 1 January 2017.
Amendments to IAS 7 – Disclosure Initiative	Requires companies to disclose information about changes in their financing liabilities.	1 January 2017. No material impact on the Group's net results or net assets.
Annual improvements to IFRS Standards 2014 – 2016 Cycle	Minor amendments to a number of standards.	1 January 2017 and 1 January 2018. No material impact on the Group's net results or net assets.
IFRS 9 – Financial Instruments	Sets out the principles of the recognition, de-recognition, classification and measurement of financial assets and financial liabilities together with requirements relating to the impairment of financial assets and hedge accounting.	1 January 2018. No material impact on the Group's net results or net assets.
IFRS 15 – Revenue from Contracts with Customers and Clarifications to IFRS 15	Establishes when revenue should be recognised, how it should be measured and what disclosures about contracts with customers are needed. The Clarifications relate to the application and provide transitional relief regarding first time adoption of the standard.	1 January 2018. We are currently going through an exercise to evaluate the impact of this standard on our business. Whilst it is too early to conclude what the impact would be, our initial view is that IFRS 15 will not have a material impact on our revenues. We will be in a better position to report what the expected impact will be in next year's annual report once our impact assessment has been finalised.
Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions	Clarifies how to account for certain types of share-based payment transactions.	1 January 2018. No material impact on the Group's net results or net assets.
Amendments to IAS 40 – Transfers of Investment Property	Clarifies the requirements on transfers to, or from, investment property.	1 January 2018. No material impact on the Group's net results or net assets.
IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration	Addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.	1 January 2018; minimal impact anticipated.
IRFS 16 – Leases	Establishes principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors.	1 January 2019. IFRS 16 will require the Group to recognise a lease liability and a right-of-use asset for most of those leases previously treated as operating leases. We are currently going through an exercise to evaluate the impact of this standard on our business. Whilst it is too early to conclude what the impact would be, IFRS 16 may have a material impact given leases around the group. We will be in a better position to report what the expected impact will be in next year's annual report once our impact assessment has been finalised.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company losses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group disposes of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

2. Significant Accounting Policies continued

Basis of preparation

The financial information has been prepared on the historical cost basis, except for the revaluation of certain properties, pension balances and financial instruments including borrowings. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this Report. Accordingly, the financial statements have been prepared on a going concern basis (discussed further in the Financial Review) and under the historical cost basis except for the revaluation of certain properties and financial instruments, share-based payments and defined benefit pension obligations that are measured at revalued amounts or fair value at the end of each reporting period.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the Income Statement as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, including publishing titles, are recognised at their fair value at the acquisition date, except for:

- deferred tax assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', are recognised and measured at fair value less costs to sell.

Investment in associates

An associate is an entity over which the Group is in a position to exercise significant influence and is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these Group financial statements using the equity method of accounting.

Investments in associates are carried in the Group Statement of Financial Position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at net realisable value.

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Publishing titles

The Group's principal intangible assets are publishing titles. The Group does not capitalise internally generated publishing titles. Titles separately acquired after 1 January 1989 are stated at cost and titles owned by subsidiaries acquired after 1 January 1996 are recorded at fair value at the date of acquisition. These publishing titles have no finite life and consequently are not amortised. The carrying value of the titles is reviewed for impairment at least annually with testing undertaken to determine any diminution in the recoverable amount below carrying value. The recoverable amount is the higher of the fair value less costs to sell and the value in use is based on the net present value of estimated future cash flows. Any impairment loss is recognised as an expense immediately. A reversal of an impairment loss is recognised immediately in the Group Income Statement given these assets are not carried at revalued amounts.

For the purpose of impairment testing, publishing titles are allocated to each of the Group's cash generating units, and are included within the Group's publishing segment (Note 4). Cash generating units are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of the value of publishing titles and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Other intangible assets
Other intangible assets in respect of digital activities are amortised using the straight-line method over the expected life, of two to five years and are tested for impairment at each reporting date or more frequently where there is an indication that the recoverable amount is less than the carrying amount.

Costs incurred in the development of websites are only capitalised if the criteria specified in IAS 38 are met.

Valuation of share-based payments
The Group estimates the expected value of equity-settled share-based payments and this is charged through the Income Statement over the vesting periods of the relevant awards. The cost is estimated using a Black-Scholes valuation model. The Black-Scholes calculations are based on a number of assumptions that are set out in Note 29 and are amended to take account of estimated levels of share vesting and exercise.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Print advertising revenue is recognised on publication and circulation revenue is recognised at the point of sale. Digital revenues are recognised on publication for advertising or delivery of service for other digital revenues. Printing revenue is recognised when the service is provided.

Foreign currencies
The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each period end, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the close of business on the last working day of the period. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items carried at historical cost in respect of which gains and losses are recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the period end date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment
Property, plant and equipment balances are shown at cost, net of depreciation and any provision for impairment. In certain cases the amounts of previous revaluations of properties conducted in 1996 or 1997 or the fair value of the property at the date of the acquisition by the Group have been treated as the deemed cost on transition to IFRS. Depreciation is provided on all property, plant and equipment, excluding land, at varying rates calculated to write-off cost over the useful lives. The principal rates employed are:

Freehold land	Nil
Freehold property	2.5% reducing balance
Leasehold property	Term of lease
Computer and IT equipment	20%, 33% straight-line
Printing presses	4% straight-line
Other production equipment	6.67%, 20% straight-line
Furniture and fittings	15% reducing balance, 20% straight-line
Motor vehicles	25% straight-line

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

2. Significant Accounting Policies continued

Assets classified as held for sale
Where a property or a significant item of equipment (such as a print press or property no longer required as part of Group operations) is marketed for sale, management is highly committed to the sale and the asset is available for immediate sale, the Group classifies that asset as held for sale. All assets in this category are expected to be sold within 12 months, as per the criteria of IFRS 5, and have therefore been classified as current assets. The value of the asset is held at the lower of the net book value or the expected net realisable sale value.

The Directors have estimated the sale values based on the current price that the asset is being marketed at and advice from independent property agents. The actual sale proceeds may differ from the estimate.

Provisions for onerous leases and dilapidations
Where the Group exits a rented property, an estimate of the anticipated total future cost payable under the terms of the operating lease, including rentals, rates and other related expenses, is charged to the Income Statement at the point where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Where there is a break clause in the contract, rentals are provided for up to that point. In addition, an estimate is made of the likelihood of sub-letting the premises and any rentals that would be receivable from a sub-tenant. Where receipt of sub-lease rentals is considered reasonable, these amounts are deducted from the rentals payable by the Group under the lease and provision charged for the net amount.

Under the terms of a number of property leases, the Group is required to return the property to its original condition at the lease expiry date. The Group has estimated the expected costs of these dilapidations and charged these costs to the Income Statement. No discounting has been applied to the provision as the effect of the discounting is not considered material.

Inventories
Inventories, largely paper, plates and ink, are stated at the lower of cost and net realisable value. Cost incurred in bringing materials to their present location and condition comprises: (a) raw materials and goods for resale at purchase cost on a first-in first-out basis; and (b) work in progress at cost of direct materials, labour and certain overheads. Net realisable value comprises selling price less any further costs expected to be incurred to completion and disposal.

Cash and cash equivalents
Cash and cash equivalents are those cash balances held by the Group and short-term bank deposits with an original maturity of three months or less.

Financial instruments
Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets
Investments are recognised and derecognised on the trade date in accordance with the terms of the purchase or sale contract and are initially measured at fair value, plus transaction costs.

Available for sale financial assets
Listed and unlisted investments are shown as available for sale and are stated at fair value. Fair value of listed investments is determined with reference to quoted market prices. Fair value of unlisted investments is determined by reference to the latest set of audited results. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in reserves in reclassified to profit or loss.

Dividends on available for sale equity investments are recognised in the Income Statement when the Group's right to receive the payment is established.

Available for sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value, and reduced by appropriate allowance for estimated irrecoverable amounts.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each period end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance for estimated irrecoverable amounts. Changes in the carrying value of this allowance are recognised in the Income Statement.

Financial liabilities and equity
Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Borrowings
The borrowings of £220 million 8.625% senior secured notes due 2019 agreed as part of the June 2014 refinancing are recorded at quoted market fair value and classified as Level 1 according to IFRS 13. As the borrowings are shown at fair value the associated issue costs have been charged to the Income Statement (refer to Note 8c).

Trade payables
Trade payables are not interest-bearing and are stated at their nominal value.

Leases
Rentals payable under operating leases are charged to the Group Income Statement on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the term of the lease.

Where the Group is a lessor, rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Operating (loss)/profit
Operating (loss)/profit is stated after charging restructuring, impairment, depreciation, amortisation and staff costs but before investment income, other finance income, finance costs and the results of discontinued operations.

Adjusted profit
The Group presents adjusted results to enable senior management to review the underlying performance of the Group.

Adjusted profit is stated after restating results for the impact of closed titles, discontinued operations, disposal of titles. In addition to the afore-mentioned the Group has also re-presented its results to exclude costs associated with business transformation, restructuring, impairment of printing presses and publishing titles, share based payment charges, accelerated write-downs of certain items of PP&E, acquisition-related, RCF reset, refinancing and pension-related costs. Refer to Non-GAAP measures on page 133 for more detail.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax-based values used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when the relevant requirements of IAS 12 are satisfied.

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

2. Significant Accounting Policies continued
Retirement benefit costs
The Group provides pensions to employees through various schemes.

Payments to defined contribution retirement benefit schemes are charged to the Income Statement as an expense as they fall due.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each period end date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Income Statement and presented in the Statement of Comprehensive Income. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset and is recognised within finance costs.

The retirement benefit obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

3. Critical accounting judgements and key sources of estimation uncertainty
Critical judgements in applying the Group's accounting policies
In the process of applying the Group's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Valuation of pension liabilities
The Group records in its Statement of Financial Position a liability equivalent to the deficit on the Group's defined benefit pension schemes. The pension liability is determined with advice from the Group's actuarial advisers each year and can fluctuate based on a number of factors, some of which are outside the control of management. The main factors that can impact the valuation include:
- the discount rate used to discount future liabilities back to the present date, determined each year from the yield on corporate bonds;
- the actual returns on investments experienced as compared to the expected rates used in the previous valuation;
- the actual rates of salary and pension increase as compared to the expected rates used in the previous valuation;
- the forecast inflation rate experienced as compared to the expected rates used in the previous valuation; and
- mortality assumptions based on standard base table adjusted to reflect specific conclusions and conditions based on a study of the actual scheme members.

Details of the assumptions used to determine the liability at 31 December 2016 are set out in Note 22.

Impairment of publishing titles, print presses and other intangible assets
Determining whether publishing titles are impaired requires an estimation of the value in use of the cash generating units (CGUs) to which these assets are allocated. Key areas of judgement in the value in use calculation include the identification of appropriate CGUs, estimation of future cash flows expected to arise from each CGU, the long-term growth rates and a suitable discount rate to apply to cash flows in order to calculate present value. The Group has identified its CGUs based on the seven geographic regions in which it operates. This is considered to be the lowest level at which cash inflows generated are largely independent of the cash inflows from other groups of assets and has been consistently applied in the current and prior periods.

Determining whether print presses are impaired requires an estimation of the value in use of each print site. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the print sites and a suitable discount rate in order to calculate present value (Note 13).

Details of the impairment reviews that the Group performs in relation to other intangible assets are provided in Note 13.

Key sources of estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the period end date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed on page 95.

Fair value measurements and valuation processes
The key assumptions concerning the future and other key sources of estimation uncertainty at the period end date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Impairment of publishing titles

The group is required to test, on an annual basis, whether intangible assets have suffered any impairment based on the recoverable amount of its cash generating units. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a pre-tax discount rate in order to calculate the present value of the cash flows. More information is included in the Critical judgements in applying the Group's accounting policies section above and within Note 13.

Pensions

The liabilities of the defined benefit pension schemes operated by the group are determined using methods relying on actuarial estimates and assumptions, including rates in increase in pensionable salaries and pensions, expected returns on scheme asserts, life expectancies and discount rates. Details of the key assumptions are set out included in the Critical judgements in applying the Group's accounting policies section above and within Note 22. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in assumptions used may have a significant effect on the group statement of comprehensive income and the group balance sheet.

4. Operating segments

Information reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance is focused on the two areas of Publishing (in print and online) and contract printing. Geographical segments are not presented as the Group operates solely in the United Kingdom.

Unless otherwise indicated the segment information reported on the following pages does not include any amounts for discontinued operations which are described in more detail in Note 10.

a) Segment revenues and results

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

	52 week period ended 31 December 2016				52 week period ended 2 January 2016			
	Publishing £'000	Contract printing £'000	Eliminations £'000	Group £'000	Publishing £'000	Contract printing £'000	Eliminations £'000	Group £'000
Revenue								
Print advertising	**95,674**	**-**	**-**	**95,674**	117,598	-	-	117,598
Digital advertising	**26,950**	**-**	**-**	**26,950**	31,423	-	-	31,423
Newspaper sales	**79,849**	**-**	**-**	**79,849**	71,964	-	-	71,964
Contract printing	**-**	**12,788**	**-**	**12,788**	-	12,625	-	12,625
Other	**6,408**	**1,030**	**-**	**7,438**	7,366	1,107	-	8,473
Total external sales	**208,881**	**13,818**	**-**	**222,699**	228,351	13,732	-	242,083
Inter-segment sales[1]	**-**	**23,597**	**(23,597)**	**-**	-	30,182	(30,182)	-
Total revenue	**208,881**	**37,415**	**(23,597)**	**222,699**	228,351	43,914	(30,182)	242,083
Operating costs[3]	**(545,765)**	**-**	**-**	**(545,765)**	(241,766)	-	-	(241,766)
Operating (loss)/profit								
Segment result	**(336,884)**	**37,415**	**(23,597)**	**(323,066)**	(13,415)	43,914	(30,182)	317
Investment income				**73**				854
Net finance expense on pension assets/liabilities				**(831)**				(2,933)
Net IAS 21/39 adjustments[2]				**43,619**				23,918
Net finance costs				**(20,056)**				(19,973)
(Loss)/profit before tax				**(300,261)**				2,183
Taxation credit				**53,371**				8,538
(Loss)/profit after tax for the period - continuing operations				**(246,890)**				10,721
Profit after tax for the period - discontinued operations				**28**				710
Consolidated (loss)/profit after tax for the period				**(246,862)**				11,431

[1] Inter-segment sales are charged at market rates.
[2] Relates to changes in fair value of borrowings.
[3] Includes depreciation, amortisation and impairment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. The segment result represents the (loss)/profit earned by each segment without allocation of the share of results of associates, investment income, finance costs (including in relation to pension assets and liabilities) and income tax expense. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

4. Operating segments continued
b) Segment assets

	31 December 2016 £'000	2 January 2016 £'000
Assets		
Publishing	**229,315**	574,975
Contract printing	**25,851**	32,661
Total segment and consolidated assets	**255,166**	607,636

For the purposes of monitoring segment performance and allocating resources between segments, the Group's Chief Executive Officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments.

c) Other segment information

	52 weeks to 31 December 2016			52 weeks to 2 January 2016		
	Publishing £'000	Contract printing £'000	Group £'000	Publishing £'000	Contract printing £'000	Group £'000
Additions to property, plant and equipment	**4,562**	**764**	**5,326**	5,837	247	6,084
Depreciation and amortisation expense (continuing)	**6,021**	**1,394**	**7,415**	6,403	1,965	8,368
Impairment of property, plant and equipment	**2,085**	**5,391**	**7,476**	-	-	-
Impairment of publishing title intangibles	**336,850**	**-**	**336,850**	35,234	-	35,234

No single customer contributed 10% or more to the Group's revenue in either of 2016 and 2015.

5. (Loss)/Profit for the year

	Notes	52 weeks to 31 December 2016 £'000	52 weeks to 2 January 2016 £'000
Operating (loss)/profit is shown after charging/(crediting):			
Depreciation of property, plant and equipment	14	**6,104**	6,553
Amortisation of intangible fixed assets	13	**814**	453
Accelerated depreciation and amortisation charge on assets	13,14,18	**498**	1,668
Impairment of publishing titles	13	**336,850**	35,234
Profit on disposal of property, plant and equipment:			
Profit on disposal of plant and equipment		**16**	187
Profit on disposal of intangible assets		**65**	-
Profit on disposal of assets held for sale		**288**	-
(Loss)/profit on disposal of property		**(159)**	783
Cost of inventories recognised as expense		**17,241**	21,382
Movement in allowance for doubtful debts	20	**(659)**	17
Staff costs excluding redundancy costs	6	**87,064**	93,090
Redundancy costs	6	**5,607**	4,474
Long-Term Incentive Plans			
Share-based payments	29	**829**	596
Value Creation Plan	29	**1,003**	993
Operating lease charges:			
Property	28	**3,738**	4,617
Vehicles	28	**1,166**	1,395
Rentals received on sub-let property		**108**	77
Pension Protection Fund levy	22	**422**	1,221

Profit on disposal of property
The Group operates a large portfolio of properties, and regularly exits and renews leases of freehold properties. Profits of £0.3 million for the period ended 31 December 2016 (2 January 2016: £0.8 million) from property sales were included in operating profit. There were 10 such sales for the period ended 31 December 2016 (2 January 2016:7).

Staff costs shown above include £1.2 million (2 January 2016: £1.3 million) relating to remuneration of Directors. Auditor's remuneration is as per the table below:

Auditors remuneration
The analysis of the Auditor's remuneration is as follows:

	52 weeks to 31 December 2016 £'000	52 weeks to 2 January 2016 £'000
Fees payable for the audit of the Company's annual accounts	**214**	235
Fees payable for other services: audit of subsidiary accounts	**180**	200
Total audit fees	**394**	435
Non-audit services		
Half year review	**56**	55
Total assurance services	**56**	55
Tax compliance services (i.e. related to assistance with corporate tax returns)	**69**	60
Tax advisory services	**148**	84
Total services relating to taxation	**217**	144
Services related to corporate finance[1]	**430**	-
Total other non-audit services	**430**	-
Total non-audit services	**703**	199
Total audit and non-audit service fees	**1,097**	634
Occupational pension scheme audits	**16**	18
Total fees	**1,113**	652

[1] Relates to the acquisition of the i.

All non-audit services were approved by the Audit Committee. The Audit Committee considers that these non-audit services have not impacted the independence of the audit process. In addition, an amount of £16,300 (2 January 2016: £18,000) was paid to the external Auditor for the audit of the Group's pension scheme.

Details of the company's policy on the use of the auditor for non-audit services, the reasons why the auditor was used rather than another supplier and how the Auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 47. No services were provided pursuant to contingent fee arrangements.

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

6. Employees
The average monthly number of employees, including Executive Directors, was:

	52 weeks to 31 December 2016 No.	52 weeks to 2 January 2016 No.
Editorial and photographic	**895**	974
Sales and distribution	**1,159**	1,359
Production	**270**	288
Administration	**170**	219
Average number of employees	**2,494**	2,840

	Notes	52 weeks to 31 December 2016 £'000	52 weeks to 2 January 2016 £'000
Staff costs:			
Wages and salaries		**74,117**	80,196
Social security costs		**7,068**	7,367
Redundancy costs	5	**5,607**	4,474
Other pension costs[1]	22	**4,047**	3,880
Cost of share-based awards[2]	29	**1,832**	1,647
Total staff costs		**92,671**	97,564

[1] Other pension costs relates to Group pension contributions to the defined contribution scheme.
[2] Deferred Share Bonus Plan contributions are fully charged to the income statement in the year to which they relate and are accrued at the respective year end. At the point of award the full expense has already been recognised.

Full details of the Directors' emoluments, pension benefits and share options are included in the audited part of the Directors' Remuneration Report on page 47.

7. Investment income

	52 weeks to 31 December 2016 £'000	52 weeks to 2 January 2016 £'000
Income from available for sale investments[1]	**-**	706
Interest receivable	**73**	148
	73	854

[1] Dividends received from Press Association recognised as available for sale investments.

8. Finance costs
a) Net finance expense on pension liabilities/assets

	Note	52 weeks to 31 December 2016 £'000	52 weeks to 2 January 2016 £'000
Interest on assets		**17,514**	16,771
Interest on liabilities		**(18,345)**	(19,704)
Net finance expense on pension liabilities/assets	22	**(831)**	(2,933)

b) IAS 21/39 items
The fair value movement on the 8.625% Senior Secured Bonds due 2019 resulted in a gain of £43.6 million (2015: £23.9 million) and was based on quoted market fair value. Refer to Note 21.

c) Finance costs

	52 weeks to 31 December 2016 £'000	52 weeks to 2 January 2016 £'000
Interest on bond	**(18,975)**	(19,296)
Interest on bank overdrafts and loans	**(382)**	(374)
Amortisation of term debt issue costs	**(194)**	(194)
Financing fees	**(18)**	(109)
Total operational finance costs	**(19,569)**	(19,973)
Refinancing fees[1]	**(487)**	-
Total finance costs	**(20,056)**	(19,973)

[1] Refinancing fees charged in the period relate to unrecoverable VAT on 2014 refinancing fees.

9. Tax

	52 weeks to 31 December 2016 £'000	52 weeks to 2 January 2016 £'000
Current tax		
Charge for the period	**1,073**	200
Adjustment in respect of prior periods	**(328)**	(626)
	745	(426)
Deferred tax (Note 23)		
Charge for the period	**7,092**	6,983
Deferred tax adjustment in respect of prior periods relating to the bond	**-**	1,104
Deferred tax adjustment in respect of prior periods	**601**	-
Deferred tax adjustment relating to the impairment of publishing titles in the period	**(61,433)**	(7,033)
Credit relating to reduction in deferred tax rate to 17% (2015: 18%/19%)	**(375)**	(9,166)
	(54,115)	(8,112)
Total tax credit for the period	**(53,371)**	(8,538)

UK corporation tax is calculated at 20.0% (2 January 2016: 20.25%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

The corporation tax rate will reduce to 19% for the year beginning 1 April 2017, and to 17% for the year beginning 1 April 2020. The change to the standard rate of corporation tax rate to 17%, substantively enacted by parliament, has been accounted for in the calculation of the deferred tax, resulting in a £0.4 million tax credit in the Consolidated Income Statement and £1.3 million tax charge in the Statement of Comprehensive Income.

£61.4 million of the current year deferred tax movement has arisen as a result of the publishing title intangible asset impairment in the period, and an additional £0.9 million tax credit has arisen due to the corporation tax rate reduction to 17%.

The Group's effective tax rate was 17.7% for the 2016 financial year (2015: 391.2%). The effective tax rate was reduced from the prevailing UK corporation tax rate of 20.0% largely due to the difference between the current and deferred tax rates applied, with the difference arising primarily on the Groups publishing titles.

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

9. Tax continued

The tax credit for the period, relating to continuing operations, can be reconciled to the profit/(loss) per the Income Statement as follows:

	52 weeks to 31 December 2016 £'000	%	52 weeks to 2 January 2016 £'000	%
(Loss)/profit before tax	**(300,261)**		2,182	100.0
Tax at 20.0% (2 January 2016: 20.25%)	**(60,052)**	**20.0**	442	20.3
Tax effect of items that are not deductible or not taxable in determining taxable profit	**(29)**	**-**	(147)	(6.7)
Tax effect of investment income	**-**	**-**	(142)	(6.5)
Unrecognised deferred tax assets	**-**	**-**	(3)	(0.1)
Effect of difference between deferred and current tax rate	**6,813**	**(2.3)**	–	–
Effect of reduction in deferred tax rate	**(375)**	**0.1**	(9,166)	(420.1)
Adjustment in respect of prior year bond accounting	**-**	**-**	1,104	50.6
Adjustment in respect of prior years	**272**	**(0.1)**	(626)	(28.7)
Total tax credit	**(53,371)**	**17.7**	(8,538)	(391.2)

On the Group's discontinued operations, relating to Isle of Man Newspapers Limited which was disposed of in the period, a profit of £0.0 million has been recognised (2015: £0.7 million profit). As the tax rate prevailing in Isle of Man is zero %, there is no tax charge or credit in relation to the discontinued operation.

10. Discontinued operations

On 18 August 2016, the Group completed the sale of its the Isle of Man titles to Tindle Newspapers Ltd, the UK based publisher, for £4.25 million in cash. The results of the discontinued operations were as follows:

	Period ended 18 August 2016 £'000	Year ended 2 January 2016 £'000
Revenue	**1,753**	3,006
Expenses	**(1,504)**	(2,296)
Net (loss)/profit attributable to discontinued operations (attributable to owners of the Company)	**249**	710
Net loss on disposal	**(221)**	-
Net profit from discontinued operations	**28**	710

During the year the Isle of Man consumed cash flows from operations of £0.4 million (2015: £0.1 million), investing of nil (2015: nil) and financing activities of nil (2015: nil).

For additional information on the net assets disposed of refer to Note 16.

11. Dividends

	52 weeks to 31 December 2016 £'000	52 weeks to 2 January 2016 £'000
Amounts recognised as distributions to equity holders in the period:		
Preference dividends		
13.75% Cumulative preference shares (13.75p per share)	**104**	104
13.75% 'A' preference shares (13.75p per share)	**48**	48
	152	152

The provisions of the Group's bond restrict the Company's ability to pay dividends on the Company's ordinary shares until certain conditions, including that net leverage is below 2.25x EBITDA, are met. Although the Board wishes to resume dividend payments as soon as is appropriate, no ordinary dividend is declared for the period.

Preference share dividends of £0.1 million were approved on 18 May 2016 and paid on 30 June 2016 based on the Directors consideration of distributable reserves available at the time. Following continued difficult trading conditions and Brexit impacting discount rates, a further review of the valuation of intangibles was undertaken at the interim resulting in a significant impairment and the extinguishment of distributable reserves. As a result, preference share dividends cannot be paid at the year-end but have been accrued.

12. Earnings per share

The calculation of earnings per share is based on the following (loss)/profit and weighted average number of shares:

Continuing and discontinued operations

	52 weeks to 31 December 2016 £'000	52 weeks to 2 January 2016 £'000
(Loss)/earnings		
(Loss)/profit for the period	**(246,862)**	11,431
Preference dividend[1]	**(152)**	(152)
(Loss)/earnings for the purposes of diluted earnings per share	**(247,014)**	11,279
(Loss)/earnings per share (p)		
Basic	**(234.5)**	10.7
Diluted[2]	**(234.5)**	10.7

Continuing operations

	31 December 2016 £'000	2 January 2016 £'000
(Loss)/earnings		
(Loss)/profit for the period	**(246,890)**	10,721
Preference dividend[1]	**(152)**	(152)
(Loss)/earnings for the purposes of diluted earnings per share	**(247,042)**	10,569
(Loss)/earnings per share (p)		
Basic	**(234.6)**	10.0
Diluted[3]	**(234.6)**	10.0

Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share[3]	**105,878**	105,878
Effect of dilutive potential ordinary shares		
- warrants and employee share options	**(552)**	(596)
Number of shares for the purposes of diluted (loss)/earnings per share	**105,326**	105,325

Adjusted

	31 December 2016 £'000	2 January 2016 £'000
Earnings		
Profit for the period	**17,728**	24,264
Preference dividend[1]	**(152)**	(152)
Earnings for the purposes of diluted earnings per share	**17,576**	24,112
Earnings per share (p)		
Basic	**16.7**	22.9
Diluted[3]	**16.7**	22.9

[1] In line with IAS 33, the preference dividend and the number of preference shares are excluded from the calculation of earnings per share.
[2] Diluted earnings per share are presented when a company could be called upon to issue shares that would decrease net profit or increase loss per share.
[3] The weighted average number of ordinary shares are shown excluding treasury shares.

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

13. Intangible assets

	Publishing titles £'000	Digital intangible assets £'000	Total £'000
Cost			
Opening balance	1,149,190	4,718	1,153,908
Additions	24,000	796	24,796
Disposals	(16,496)	(337)	(16,833)
Transfer to assets classified as held for sale (Note 18)	(34,710)	–	(34,710)
Transfers from property, plant and equipment (Note 14)[1]	–	10,135	10,135
Closing balance	**1,121,984**	**15,312**	**1,137,296**
Accumulated impairment losses and amortisation			
Opening balance	672,795	2,066	674,861
Amortisation for the period	–	866	866
Disposals	(12,496)	(337)	(12,833)
Impairment losses for the period	336,850	–	336,850
Transfer to assets classified as held for sale (Note 18)	(18,710)	–	(18,710)
Transfers from property, plant and equipment (Note 14)[2]	–	4,212	4,212
Closing balance	**978,439**	**6,807**	**985,246**
Carrying amount			
Opening balance	476,395	2,652	479,047
Closing balance	**143,545**	**8,505**	**152,050**

[1] Includes £1.9 million of additions included within PP&E and subsequently transferred to intangible assets.
[2] Includes £0.2 million of amortisation in respect to the £1.9 million of additions (referred to in footnote 1 above) and £0.3 million of accelerated depreciation on certain websites transferred from property plant and equipment.

Publishing titles
The carrying amount of publishing titles by cash generating unit (CGU) is as follows:

	2 January 2016 £'000	Impairment £'000	Transfer to assets held for sale £'000	Addition £'000	Disposal £'000	31 December 2016 £'000
Scotland	52,127	(42,691)	–	–	–	**9,436**
North	194,958	(130,528)	–	–	–	**64,430**
North West	46,300	(32,566)	–	–	(4,000)	**9,734**
Midlands	109,109	(90,206)	(16,000)	–	–	**2,903**
South	38,442	(18,990)	–	–	–	**19,452**
Northern Ireland	35,459	(21,869)	–	–	–	**13,590**
The i	–	–	–	24,000	–	**24,000**
Total carrying amount of publishing titles	476,395	(336,850)	(16,000)	24,000	(4,000)	**143,545**

Acquisition and disposal of publishing titles
The addition in the period relates to the i publishing title which the Group acquired on 10 April 2016. Johnston Press plc completed the acquisition of the business and certain assets of i from Independent Print Limited. i is a UK national daily newspaper providing concise quality editorial content, and was named National Newspaper of the Year in 2015 at the industry's News Awards. The total purchase consideration is £24 million, of which £22 million was settled in cash on completion and a further £2 million will be settled in cash on 20 April 2017 (Note 17).

The Group disposed of The Isle of Man Newspapers Limited, whose titles consisted of the Isle of Man Examiner, Isle of Man Courier Manx Independent and www.iomtoday.com.im, in August 2016, for total consideration of £4.25 million (Note 10). At the time of disposal the Directors assessed these titles were held at their fair value due to previous impairment write-downs incurred.

The £16.0 million transfer of publishing titles from intangible assets to assets held for sale relates to the disposal completed in January 2017 of 13 East Midlands and East Anglia titles to Iliffe Media Ltd. Refer to Note 18 and 32 for further details of the terms of the sale agreement.

Impairment assessment

The Group tests the carrying value of publishing titles held within the publishing operating segment for impairment annually or more frequently if there are indications that they might be impaired. The publishing titles are grouped by CGUs, being the lowest levels for which there are separately identifiable cash flows independent of the cash inflows from other groups of assets.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are:

- expected changes in underlying revenues and direct costs during the period;
- growth rates; and
- the discount rate.

The Group prepares discounted cash flow forecasts using:

- the Board approved budget for 2017 and the projections for 2018 and 2019 which reflects management's current experience and future expectations of the markets the CGUs operate in. Changes in underlying revenue and direct costs are based on past practices and expectations of future changes in the market. These include changes in demand for print and digital, circulation, cover prices, advertising rates as well as movement in newsprint and production costs and inflation;
- capital expenditure cash flows to reflect the cycle of capital investment required;
- net cash inflows for future years are extrapolated beyond 2019 based on the Board's view of the estimated annual long-term performance. A long-term decline rate between 0% and 2% has been included for all CGU's; and
- management estimate discount rates using post-tax rates that reflect current market assessments of the time value of money, the risks specific to the CGUs and the risks that the regional media industry is facing. The post-tax discount rate applied to the future cash flows for the period ended 31 December 2016 was 11.0% (2 January 2016: 10.0%). The pre-tax discount rate is a range between 13.5% and 14.6% (2 January 2016: 12.1%). The present value of the cash flows is then compared to the carrying value of the asset to determine if there is any impairment loss.

The Group has conducted sensitivity analysis on the impairment test of each CGUs carrying value. An increase in the long-term decline rate of 0.5%, beyond 2019, would result in a further Group impairment of £5.0 million, an increase in the long-term decline rate is possible if the advertising market economic conditions do not improve. An increase in the discount rate of 0.5% would result in an additional impairment of £6.0 million. An increase in the risk-free-interest rate or risk premium could result in a higher discount rate being applied to the impairment assessment.

	Growth rate sensitivity £'000	Discount rate sensitivity £'000
Scotland	(325)	(399)
North	(2,293)	(2,729)
North West	(399)	(472)
Midlands	(693)	(823)
South	(801)	(951)
Northern Ireland	(490)	(585)
The i	–	–
Total potential impairment from sensitivity analysis	(5,001)	(5,959)

Digital intangible assets

Digital intangible assets primarily relate to the new design, additional functionality and ongoing commercial enhancements to the Group's local websites and the development of a Customer Relationship Management (CRM) capability. The websites form the core platform for the Group's digital revenue activities whereas the CRM capability will enable the Group to accelerate the growth of its subscriber base. These assets are being amortised over a period of two to five years. Amortisation for the year has been charged through cost of sales.

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

14. Property, plant and equipment

	Freehold land and buildings £000	Leasehold buildings £000	Plant and machinery £000	Motor Vehicles £000	Total £000
Cost					
At 2 January 2016	60,587	6,526	126,001	889	194,003
Additions	9	431	4,886	-	5,326
Disposals	-	(489)	(6,263)	(449)	(7,201)
Transfers to assets held for sale (Note 18)	(3,697)	(568)	(209)	-	(4,474)
Transfers to digital intangible assets (Note 13)[1]	-	-	(10,135)	-	(10,135)
Exchange differences	-	186	-	-	186
At 31 December 2016	**56,899**	**6,086**	**114,280**	**440**	**177,705**
Depreciation					
At 2 January 2016	39,048	2,341	99,012	889	141,290
Disposals	-	(489)	(6,249)	(449)	(7,187)
Charge for the period[2]	380	459	5,685	-	6,524
Transfers to digital intangible assets (Note 13)	-	-	(4,212)	-	(4,212)
Transfers to assets held for sale (Note 18)[3]	(2,520)	(311)	(189)	-	(3,020)
Impairment	4,396	-	3,080	-	7,476
Exchange differences	-	150	-	-	150
At 31 December 2016	**41,304**	**2,150**	**97,127**	**440**	**141,021**
Carrying amount					
At 2 January 2016	21,539	4,185	26,989	-	52,713
At 31 December 2016	**15,595**	**3,936**	**17,153**	**-**	**36,684**

1 Includes additions of £1.9 million in the year, transferred to digital intangible assets.
2 Includes accelerated depreciation of £0.1 million on certain property assets within the Group.
3 Includes £0.2 million depreciation on additions transferred to digital intangible assets.

During the 52-week period ended 31 December 2016, the Group recognised an accelerated depreciation charge of £0.5 million (2015: £0.3 million). The write-down arises from decisions to rationalise facilities and are calculated based on fair value less costs of sale as quoted by external valuers.

During the period the Group carried out a review of the recoverable amount of its print manufacturing plant and related equipment, which are used in the Group's print segment. The Group has three print presses in Dinnington, Portsmouth and Carn. Each print site is assessed independently for impairment, as separate cash generating units (CGU's). The recoverable amount of each CGU is determined from value in use calculations. The key assumptions for the value in use calculations are:
- expected changes in underlying revenues and direct costs during the period;
- growth rates; and
- the discount rate.

The Group prepares discounted cash flow forecasts using:
- the Board approved budget for 2017 and the projections for 2018 and 2019 which reflects management's current experience and future expectations of the markets the CGUs operate in. Changes in underlying revenue and direct costs are based on past practices and expectations of future changes in the market. These include changes in internal and external print revenue as well as movement in newsprint and production costs and inflation;
- capital expenditure cash flows to reflect the cycle of capital investment required;
- net cash inflows for future years are extrapolated beyond 2019 based on the Board's view of the estimated annual long-term performance. A long-term decline rate between 0% has been included for all CGU's (2 January 2016: 1% growth); and
- management estimate discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The post-tax discount rate applied to the future cash flows for the period ended 31 December 2016 was 11.0% (2 January 2016: 10.0%). The pre-tax discount rate is a range between 11.9% and 13.0% (2 January 2016: 11.3% to 12.2%). The post-tax discount rate reflects management's view of the current risk profile of the underlying assets being valued with regard to the current economic environment and the risks that the regional media industry is facing. The present value of the cash flows is then compared to the carrying value of the asset to determine if there is any impairment loss.

An impairment charge of £5.5 million has been recognised in relation to the Dinnington print press for the period ended 31 December 2016. At the half-year an impairment of £5.4 million was recognised on the presses, of which £2.4 million was recorded against Dinnington and £3.0m in respect of Portsmouth. At the year-end a further impairment of £3.1 million was recognised against Dinnington and the £3.0 million write-down taken against Portsmouth (at the half-year) has been reversed. There was no impairment recorded on the print presses in the prior year. The impairment charge has been included in the Income Statement in exceptional items.

A write-down of £1.9 million has been charged in the period to record a property at its expected realisable value. £1.5 million of this write-down was recorded at the half-year when the property was included in assets held for sale. As the property disposal was unsuccessful the property has been transferred back to property, plant and equipment with a further write-down of £0.4 million recorded at year-end. The property belongs to the Group's publishing segment and the impairments have been included in the Income Statement in exceptional items.

15. Available for sale investments

The Group's available for sale investments are:

	31 December 2016 £'000	2 January 2016 £'000
Listed investments	**2**	2
Unlisted investments		
Cost	**4,494**	4,494
Provision for impairment	**(3,526)**	(3,526)
Unlisted investments carrying amount	**968**	968
Total investments	**970**	970

The Group holds a strategic non-controlling interest of 3.53% in Press Association Group Limited. These shares are not held for trading and accordingly are classified as available for sale. The fair values of all equity securities are based on quoted market prices and are level one assets on the fair value hierarchy. The fair value of unlisted investments is determined by reference to the net asset position reported in the latest set of signed accounts of the Press Association Group Limited.

16. Disposal of subsidiary

As referred to in Note 10, the Group disposed of its investment in the Isle of Man Newspapers Limited, whose titles consisted of the Isle of Man Examiner, Isle of Man Courier, Manx Independent and www.iomtoday.com.im to Tindle Newspapers Ltd, the UK based publisher, for £4.25 million in cash.

The net assets of the Isle of Man Newspapers Limited at the date of disposal were as follows:

	18 August 2016 £'000
Intangible fixed assets	4,000
Tangible assets	14
Trade and other receivables	446
Cash and cash equivalents	43
Trade and other payables	(232)
Net assets disposed of	4,271
Cash consideration	4,250
Disposal costs	(200)
Net cash consideration	4,050
Net loss on disposal	(221)

The impact of this disposal on the Group's results in the current and prior periods is disclosed in Note 10.

There were no disposals made in the comparative period.

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

17. Acquisition of the i newspaper

On 10 April 2016 Johnston Publications Limited, a 100% owned subsidiary of the Group, acquired the principal assets of "the i", part of the Independent Group for net consideration of £24.1 million.

The acquisition represents a significant growth opportunity for Johnston Press in terms of national print and advertising revenue. The i is a highly regarded newspaper with a clear market position and a loyal readership and the combination rebalances our revenues towards less volatile circulation revenue. With the considerable digital experience of Johnston Press, the combination with the i will allow us to grow digital audiences and revenues through the creation of inews.co.uk.

	10 April 2016 £000
The identifiable assets acquired are as follows:	
Intangible fixed assets – titles	24,000
Working capital	123
Total net assets acquired	**24,123**
Satisfied by:	
Cash	22,123
Deferred consideration	2,000
Total consideration transferred	**24,123**
Net cash outflow arising on acquisition	**24,123**

There are no conditions around the deferred payment which is due in April 2017. The purchase consideration has been attributed to the titles.

Costs of approximately £1.8 million relating to the acquisition were incurred in respect of legal and advisory fees.

The revenue included in the consolidated Statement of Comprehensive Income since 10 April 2016 contributed by the i was £18.5 million. The i also contributed EBITDA of £3.3 million over the same period (H116 £0.4 million, H216 £2.9 million). Based on 38 weeks and extrapolated on a 52 week period, had the i been consolidated from 3 January 2016, on a pro-forma basis including an estimate of revenues and costs incurred by former owners (ESI) the comprehensive income for the i would have included revenue of £25.6 million and profit of £4.4 million.

18. Assets classified as held for sale

	Notes	Freehold land and buildings £000	Leasehold buildings £000	Plant and machinery £000	Publishing titles £000	Total £000
Cost						
At 2 January 2016		171	-	37	-	208
Transfers in from property, plant and equipment	14	3,697	568	209	-	4,474
Transfer from intangible assets[1]	13	-	-	-	34,710	34,710
Disposals		(3,712)	-	(238)	-	(3,950)
At 31 December 2016		156	568	8	34,710	35,442
Depreciation						
At 2 January 2016		105	-	21	-	126
Charge for the year		26	-	-	-	26
Transfers in from property, plant and equipment	14	2,520	311	189	-	3,020
Transfer from intangible assets[2]	13	-	-	-	18,710	18,710
Disposals		(2,622)	-	(202)	-	(2,824)
At 31 December 2016		29	311	8	18,710	19,058
Carrying amount						
At 2 January 2016		66	-	16	-	82
At 31 December 2016		127	257	-	16,000	16,384

[1] Comprises publishing titles transferred from intangible assets that have been sold to Iliffe Media Ltd subsequent to the end of the financial period ended 31 December 2016. Refer to Note 32 for further details of the terms of the sale agreement.

[2] Includes accelerated charge of £0.02 million.

Assets classified as held for sale consists of land and buildings in the UK and Republic of Ireland that are no longer in use by the Group and printing presses that have ceased production. All of the assets are being marketed for sale and are expected to be sold within the next year.

Included within assets held for sale at the year-end are publishing titles with a net book value of £16 million that have been sold to Iliffe *Media Ltd on 17 January 2017. The titles contributed £11.9 million (2015: £13.4 million) to revenue and profit of £3.1 million (2015: £3.6 million).*

Non-current assets are transferred to assets held for sale when it is expected that their carrying amounts will be recovered principally through disposal and a sale is considered likely. They are held at the lower of carrying amount and fair value less costs of sale.

19. Inventories

	31 December 2016 £'000	2 January 2016 £'000
Raw materials	**2,262**	2,383

20. Other financial assets and liabilities

Trade and other receivables

	31 December 2016 £'000	2 January 2016 £'000
Current:		
Trade receivables	**24,290**	24,360
Allowance for doubtful debts	**(1,201)**	(1,860)
	23,089	22,500
Prepayments	**2,123**	3,836
Corporation tax recoverable	**-**	247
Other debtors	**5,545**	5,292
Total current trade and other receivables	**30,757**	31,628
Non-current receivables	**1**	2
Total trade and other receivables	**30,758**	31,630

Trade receivables

The average credit period taken on sales is 41 days (2 January 2016: 43 days). No interest is charged on trade receivables. The Group has provided for estimated irrecoverable amounts in accordance with the accounting policy described in Note 2.

Before accepting any new credit customer, the Group obtains a credit check from an external agency to assess the potential customer's credit quality and then defines credit terms and limits on a by-customer basis. These credit terms are reviewed regularly. In the case of one-off customers or low value purchases, pre-payment for the goods is required under the Group's policy. The Group reviews trade receivables past due but not impaired on a regular basis and considers, based on past experience, that the credit quality of these amounts at the period end date has not deteriorated since the transaction was entered into and so considers the amounts recoverable. Regular contact is maintained with all such customers and, where necessary, payment plans are in place to further reduce the risk of default on the receivable.

Included in the Group's trade receivable balance are debtors with a carrying amount of £7.3 million (2 January 2016: £8.9 million) which are past due at the reporting date but for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable. The Group does not hold any security over these balances. The weighted average past due period of these receivables is 26 days (2 January 2016: 25 days).

Ageing of past due but not impaired trade receivables

	31 December 2016 £'000	2 January 2016 £'000
0-30 days	**5,380**	5,569
30-60 days	**1,373**	1,436
60-90 days	**233**	746
90+days	**291**	1,187
Total	**7,277**	8,938

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

20. Other financial assets and liabilities continued
Movement in the allowance for doubtful debts

	31 December 2016 £'000	2 January 2016 £'000
Balance at the beginning of the period	**1,860**	1,843
Bad debts provided for	**222**	254
Disposal	**(27)**	-
Release	**(913)**	-
Transfer	**20**	-
Amounts provided for during the year as uncollectible	**-**	(204)
Foreign exchange translation gains and losses	**39**	(33)
Movement in the period (Note 5)	**(659)**	17
Balance at the end of the period	**1,201**	1,860

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the balance sheet date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables
Impaired trade receivables are those that have been provided for under the Group's bad debt provisioning policy, as described in the accounting policy in Note 2. The ageing of impaired trade receivables is shown below.

	31 December 2016 £'000	2 January 2016 £'000
0-30 days	**57**	341
30-60 days	**23**	37
60-90 days	**476**	531
90+days	**645**	951
Total	**1,201**	1,860

The Directors consider that the carrying amounts of trade and other receivables at the balance sheet date approximate to their fair value.

Cash and cash equivalents
Cash and cash equivalents totalling £16.1 million (2014: £40.6 million) comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Trade and other payables

	31 December 2016 £'000	2 January 2016 £'000
Current:		
Trade creditors and accruals	**26,052**	31,785
Accrual for redundancy costs	**870**	2,381
Other creditors[1]	**10,323**	7,877
Total current trade and other payables	**37,245**	42,043
Non-current trade and other payables	**3,477**	3,325

[1] Includes £2 million of deferred consideration payable on the acquisition of the i due to be paid April 2017.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 44 days (2 January 2016: 42 days). The Group has financial risk management policies in place to ensure all payables are paid within the agreed credit terms.

The redundancy accrual has been made for terminations agreed ahead of the year end and to be paid during 2017.

The Directors consider that the carrying amounts of trade and other payables at the balance sheet date approximate to their fair value.

21. Borrowings

The borrowings at 31 December 2016 are recorded at quoted market fair value and classified as Level 1 according to IFRS 13. As the borrowings are shown at fair value the associated issue costs against the 8.625% Senior secured notes due 1 June 2019 (the 'bond') have been charged to the Income Statement (refer to Note 8c).

The breakdown of the 8.625% senior secured notes 2019 is as follows:

	31 December 2016 £'000	2 January 2016 £'000
Principal amount[1]	**220,000**	220,000
Bond discount – initial	**(4,400)**	(4,400)
Fair value gain from inception[2]	**(72,600)**	(28,981)
Total borrowings at market value	**143,000**	186,619

The borrowings are disclosed in the financial statements as:

	31 December 2016 £'000	2 January 2016 £'000
Current borrowings	**–**	–
Non-current borrowings	**143,000**	186,619
Total borrowings	**143,000**	186,619

The Group's net debt[3] is:

	31 December 2016 £'000	2 January 2016 £'000
Gross borrowings as above	**143,000**	186,619
Cash and cash equivalents	**(16,058)**	(40,564)
Net debt	**126,942**	146,055

1 The principal amount remaining is stated after £5 million bond buy back in August 2015.
2 The fair value gain for the period to 31 December amounted to £43.6 million (period to 2 January 2016: £23.9 million gain).
3 Net debt is a non-statutory term presented to show the Group's borrowings net of cash equivalents and bond fair value movements.

22. Retirement benefit obligation

Characteristics of the Group's pension related liabilities

The Johnston Press Retirement Savings Plan

The Johnston Press Retirement Savings Plan is a defined contribution Master Trust arrangement for current employees, operated by Zurich. Contributions by the Group are a percentage of basic salary. Employer contributions range from 1% of qualifying earnings, for employees statutorily enrolled, through to 12% of basic salary for Senior Executives. Employees who were active members of the Money Purchase section of the Johnston Press Pension Plan on 31 August 2013 transferred from the Johnston Press Pension Plan to the Johnston Press Retirement Savings Plan from 1 September 2013.

The Johnston Press Pension Plan ('the Plan')

The Johnston Press Pension Plan is a defined benefit pension plan closed to new members and closed to future accrual. There was formerly a defined contribution section of the Johnston Press Pension Plan which was closed in August 2013 and members' defined contribution benefits were transferred to the Johnston Press Retirement Savings Plan. The assets of the Plan are held separately from those of the Group. The contributions are determined by a qualified actuary on the basis of a triennial valuation using the projected unit method and are set out in a Schedule of Contributions and Recovery Plan dated 29 July 2014.

A valuation of the Johnston Press Pension Plan as at 31 December 2012 was commissioned by the Trustees and takes account of the Capital Refinancing Plan. The triennial valuation as at 31 December 2015 is currently in progress and is expected to be completed during 2017.

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

22. Retirement Benefit Obligation continued
Characteristics of the Group's pension related liabilities continued
The Johnston Press Pension Plan ('the Plan') continued

In conjunction with the 2014 Capital Refinancing Plan, the Plan Trustees and the Group entered into a Pension Framework Agreement, agreeing, inter alia to the following:

- On implementation of the Capital Refinancing Plan in June 2014, the secured guarantee provided in favour of the Plan Trustees by the Group and certain of its subsidiaries in relation to any default on a payment obligation under the Johnston Press Pension Plan has been removed. In return for the removal of this security and the aforementioned guarantee, an unsecured cross-guarantee has been provided on implementation of the Capital Refinancing Plan by the Group and certain of its subsidiaries in favour of the Plan Trustees in relation to any default on a payment obligation under the Plan. Each claim made under the unsecured cross-guarantee is capped at an amount equal to the aggregate Section 75 (s75) debt of the Johnston Press Pension Plan at the date any claim made by the Plan Trustees falls due.
- The deficit as at the 31 December 2012 valuation date will be sought to be addressed by 31 December 2024 by entry into a recovery plan providing for contributions starting at £6.3 million in 2014, £6.5 million in 2015 and £10.0 million in 2016 increasing by 3% per annum with a final payment of £12.7 million in 2024.
- Settlement of previously incurred PPF levies and s75 debts.
- The Plan was entitled to receive 25% of net proceeds from business or asset disposals up to and including 31 August 2015 exceeding £1 million in a single transaction or £2.5 million over the course of a financial year, subject to certain permitted disposals, conditions in relation to financial leverage and other exceptions set out in the Framework Agreement.
- The Group would also pay additional contributions to the Plan in the event that the 2015/2016 PPF levy and/or the 2016/2017 PPF levy was less than £3.2 million, equal to the amount the levy falls below £3.2 million, up to a maximum of £2.5 million.
- Additional contributions would also be payable to the Johnston Press Pension Plan in the event that the Group satisfies certain conditions in relation to financial leverage.

As part of the 31 December 2012 triennial valuation, this Pension Framework Agreement was reflected in the valuation documentation of the Plan, and subsequently it was submitted to the Pensions Regulator. The Agreement and the required level of contributions are subject to review as part of the valuation as at 31 December 2015.

Amounts arising from pension related liabilities in the Group's financial statements
The following tables identify the amounts in the Group's financial statements arising from its pension-related liabilities:

Income statement – pensions and other pension related liabilities costs

	Notes	31 December 2016 £'000	2 January 2016 £'000
Employment costs:			
Defined contribution scheme	6	**(4,047)**	(3,880)
Defined benefit scheme:			
Plan expenses (IAS19)		**(563)**	(632)
Pension Protection Fund Levy		**(422)**	(1,221)
Past service cost		**(3,539)**	-
Net finance cost on Johnston Press Pension Plan (IAS19)	8a	**(831)**	(2,933)
Total defined benefit scheme		**(5,355)**	(4,786)
Total pension costs		**(9,402)**	(8,666)

Other comprehensive income – gains/(losses) on pension

	31 December 2016 £'000	2 January 2016 £'000
Gains/(losses) on plan assets in excess of interest	**69,806**	(7,610)
(Losses)/gains from changes to financial assumptions	**(104,200)**	8,456
(Losses)/gains from changes to demographic assumptions	**(6,710)**	53,204
Experience losses arising on the benefit obligation	**(5,013)**	-
Release of defined benefit obligation under IFRIC 14	**-**	2,971
Actuarial (loss)/gain recognised in the statement of comprehensive income	**(46,117)**	57,021
Deferred tax[1]	**6,390**	10,842
Actuarial (loss)/gain recognised in the statement of comprehensive income net of tax	**(39,727)**	67,863

[1] Deferred tax adjustment in the period arises due to the reduction in corporate tax rate and increase in pension deficit. A 17% deferred tax rate has been applied to the deferred tax movement in respect of the defined benefit scheme.

During the 2015 period a medically underwritten study was carried out by KPMG to identify the current health of a sample group of existing Plan members, assessed via telephone interviews targeted towards members with the most significant liabilities in the Plan. The results of the study continue to be used to inform the mortality assumptions for use in calculating the IAS19 scheme liabilities.

Statement of financial position – net defined benefit pension deficit

	31 December 2016 £'000	2 January 2016 £'000
Amounts included in the Group Statement of Financial Position:		
Fair value of scheme assets	**547,885**	473,413
Present value of defined benefit obligations	**(615,610)**	(500,375)
Total liability recognised	**(67,725)**	(26,962)
Amount included in current liabilities	**10,316**	10,016
Amount included in non-current liabilities	**(57,409)**	(16,946)

Analysis of amounts recognised of the net defined benefit pension deficit

	31 December 2016 £'000	2 January 2016 £'000
Net defined benefit pension deficit at beginning of period	**(26,962)**	(90,001)
Defined benefit obligation at beginning of period	**(500,375)**	(567,509)
Income statement:		
Interest cost	**(18,345)**	(19,704)
Past service cost	**(3,539)**	-
Other comprehensive income:		
Experience losses	**(5,013)**	-
Remeasurement of defined benefit obligation:	-	-
Arising from changes in demographic assumptions	**(6,710)**	53,204
Arising from changes in financial assumptions	**(104,200)**	8,456
Cash flows:		
Benefits paid (by fund and Group)	**22,572**	25,178
Defined benefit obligation at end of the period	**(615,610)**	(500,375)
Fair value of plan assets at beginning of period	**473,413**	480,479
Income statement:		
Interest income on plan assets	**17,514**	16,771
Other comprehensive income:		
Return on plan assets less interest	**69,806**	(7,610)
Cash flows:		
Company contributions[1]	**9,724**	8,951
Benefits paid (by fund and Group)	**(22,572)**	(25,178)
Fair value of plan assets at end of period	**547,875**	473,413
Net defined benefit pension deficit at end of period	**(67,725)**	(26,962)

Analysis of fair value of plan assets

	31 December 2016 £'000	2 January 2016 £'000
Equities	**86,342**	76,162
Multi-asset credit	**112,775**	110,464
Diversified growth funds	**202,247**	167,124
Liability-driven investments	**141,913**	115,625
Other[2]	**4,608**	4,038
Total fair value of plan assets	**547,885**	473,413

[1] *Comprises annual employer contributions of £9.7 million (2 January 2016: £8.9 million and plan expenses of £nil (2 January 2016: £43,000).*

[2] Other mainly includes cash and insured benefits (annuities held in the name of the Trustees with various providers).

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

22. Retirement Benefit Obligation continued
Characteristics of the Group's pension related liabilities continued
Analysis of fair value of plan assets continued

The Johnston Press Pension Plan invests in leveraged Liability Driven Investment (LDI) funds in order to match a proportion of the interest rate and inflation sensitivity of the Plan's liabilities.

- Between June 2014 and July 2016, the Plan's liability matching assets were solely invested in a range of leveraged (fixed interest and inflation-linked) single gilt funds managed by State Street Global Advisors (SSGA).
- Between August 2016 and February 2017, the Plan's investment in liability matching assets was increased by introducing an allocation to the Standard Life ILPS fund range alongside the SSGA LDI portfolio. The ILPS fund range provides leveraged interest rate and inflation exposure using a mixture of gilt-based and swap-based derivatives. Together, the SSGA LDI portfolio and the Standard Life ILPS allocation are expected to broadly hedge the Plan's funded liabilities (as measured on a gilts + 0.5%p.a. basis).

Analysis of financial assumptions

	31 December 2016 £'000	2 January 2016 £'000
Discount rate	**2.70%**	3.75%
Future pension increases		
Deferred revaluations (where linked to inflation (CPI))	**2.40%**	2.00%
Pensions in payment (where linked to inflation (RPI))	**3.40%**	3.00%
Future life expectancy		
Male currently aged 65 (years)	**20.1**	19.7
Female currently aged 65 (years)	**21.7**	21.3

Sensitivity analysis of significant assumptions

The following tables present a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected, by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date:

	Decrease/ (increase) in defined benefit obligation £m
Discount rate	
+0.10% discount rate	9,737
Inflation rate	
+0.10% inflation rate	(5,197)
Mortality	
+10.0% to base table mortality rates	20,715
Pension increase exchange	
Allowance for 25% take up for sections where automatically offered	(646)

The sensitivity analysis is based on a change in one assumption while holding all other assumptions constant, therefore interdependencies between assumptions are excluded. The methodology applied is consistent to that used to determine the recognised pension liability.

Five-year history

	31 December 2016 £'000	2 January 2016 £'000	3 January 2015 £'000	28 December 2013 £'000	29 December 2012 £'000
Fair value of scheme assets	**547,885**	473,413	480,479	420,306	382,792
Present value of defined benefit obligations	**(615,610)**	(500,375)	(567,509)	(498,640)	(504,111)
Additional obligation under IFRIC 14	-	-	(2,971)	-	-
Deficit in the plan	**(67,725)**	(26,962)	(90,001)	(78,334)	(121,319)
Experience adjustments on scheme liabilities					
Amount (£'000)	**(5,013)**	61,660	(67,099)	7,357	(29,332)
Percentage of plan liabilities (%)	**0.8%**	12.3%	(11.8%)	1.5%	(5.8%)
Experience adjustments on scheme assets					
Amounts (£'000)	**69,806**	(7,610)	48,120	39,055	8,257
Percentage of plan assets (%)	**12.7%**	(1.6%)	10.0%	9.3%	2.2%

The Rules of the Plan were revised during 2015 such that the Company has an unconditional right to any surplus on the eventual wind up of the Plan. As such the additional IFRIC 14 liability has been reversed.

Other pension-related obligations

The Group has agreed to pay the expenses of the Plan and the Pension Protection Fund (PPF) levy as they fall due.

The Plan has seen an increase in its obligations with respect to historic benefit equalisation for a specific group of members (the 'Affected Members') for the Portsmouth & Sunderland section of the Plan. The Company made an application to the High Court (the 'Court') for a declaration that Normal Retirement Dates (NRDs) for the Affected Members were validly equalised between male and female members. A court order dated 19 May 2016 was executed which revised the NRDs and this has been reflected as a past service cost in the Income Statement for the year of £3.5 million.

News Media Association Pension Scheme

The Group is a member of the News Media Association (NMA) (formerly the Newspaper Society), an unincorporated body representing the interests of local newspaper publishers. During 2014 the Newspaper Society incorporated itself as a company limited by guarantee and entered into a merger with the Newspaper Publishers' Association (a body representing the interests of publishers of national newspapers). As part of the merger, existing members entered into a deed of covenant in respect of the deficit to the Society's defined benefit pension scheme. The members agreed to make contributions over a period of 25 years or until such time as the deficit has been addressed. Applying a discount rate of 13.7%, the Group's best estimate of this at present value is £0.7 million.

News Media Association Pension Scheme liabilities have been included within provisions (Note 24).

Other pension-related liabilities

The closing provision relating to unfunded pensions for senior employees was £0.5 million (2 January 2016: £0.8 million). The unfunded pension provision is assessed by a qualified actuary at each period end.

Post-retirement medical benefit pension related liabilities for former Portsmouth and Sunderland members of £0.1 million (2 January 2016: £0.1 million). The post-retirement medical benefits represent management's best estimate of the liability concerned.

Other pension related liabilities have been included within provisions Note 24.

23. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

	Share-based payments £000	Properties not eligible £000	Accelerated tax depreciation £000	Intangible assets[1] £000	Intangible asset £000	Pension balances[1] £000	Bond balances £000	Other timing differences £000	Total £000
At 3 January 2015	(139)	4,764	(5,909)	102,316	-	(18,317)	-	(1,363)	81,352
Effect of change in tax rates on Income Statement	-	(443)	253	(9,529)	-	855	(302)	-	(9,166)
Effect of change in tax rates on equity	-	-	-	-	-	(578)	-	-	(578)
Charge to equity	-	-	-	-	-	11,534	-	-	11,534
(Credit)/charge to income statement	-	(328)	844	(7,033)	-	1,224	4,938	305	(50)
Adjustment to prior year charged to Income Statement	-	-	-	-	-	-	1,104	-	1,104
At 2 January 2016	**(139)**	**3,993**	**(4,812)**	**85,754**	**-**	**(5,282)**	**5,740**	**(1,058)**	**84,196**
Effect of change in tax rates on Income Statement	-	(193)	656	(875)	-	17	-	21	(374)
Effect of change in tax rates on Statement of Other Comprehensive Income	-	-	-	-	-	1,348	-	-	1,348
Charge to Statement of Other Comprehensive Income	-	-	-	-	-	(7,685)	-	-	(7,685)
(Credit)/charge to income statement	-	(518)	(1,156)	(61,433)	122	-	8,445	198	(54,342)
Adjustment to prior year charged to Statement of Changes in Equity	(5)	-	-	-	-	-	-	-	(5)
Adjustment to prior year charged to Income Statement	144	-	(252)	-	-	-	-	709	601
At 31 December 2016	**-**	**3,282**	**(5,564)**	**23,446**	**122**	**(11,602)**	**14,185**	**(130)**	**23,739**

[1] Intangible includes £3.2 million of deferred tax in relation to the Midlands publishing titles that have been reclassified to assets held for sale ahead of their disposal by the Group in January 2017.

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

23. Deferred tax continued
Including the effect of the change in tax rates, the deferred tax movements credited through the Income Statement in the period total £54.1 million. Deferred tax movements charged to the Statement of Other Comprehensive Income in the period total £6.3 million.

The Group has £12.9 million of corporate tax losses and £6.3 million of capital losses for which no deferred tax has been recognised, due to uncertainty regarding the Group's ability to utilise these losses.

Temporary differences arising in connection with interests in associates are insignificant.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (before offset) for financial reporting purposes:

	31 December 2016 £'000	2 January 2016 £'000
Deferred tax liabilities	**41,035**	95,487
Deferred tax assets	**(17,296)**	(11,291)
	23,739	84,196

24. Provisions

	Onerous leases and dilapidations £'000	News Media Association Pension Scheme[1] £'000	Other pension related liabilities[1] £'000	Total £'000
At 2 January 2016	3,726	775	975	5,476
Charge to Income Statement	801	15	-	816
Actuarial valuation loss	-	-	(316)	(316)
Utilisation of provision	(1,290)	(90)	(17)	(1,397)
At 31 December 2016	**3,237**	**700**	**642**	**4,579**

The provisions are disclosed in the financial statements as:

Current provisions	2,935	91	-	3,026
Non-current provisions	302	609	639	1,550
Total provisions	**3,237**	**700**	**639**	**4,576**

[1] For details of pensions see Note 22.

Onerous leases and dilapidations
Where the Group exits a rented property, an estimate of the anticipated total future cost payable under the terms of the operating lease, including rentals, rates and other related expenses is provided for at the point of exit as an onerous lease.

Under the terms of a number of property leases, the Group is required to return the property to its original condition at the lease expiry date. The Group has estimated the expected costs of leases expiring or expected to be terminated and has also assessed the entire portfolio and made provisions depending on the state of the property and the duration of the lease and likely rectification requirements.

All amounts are expected to be utilised within the next 10 years.

25. Share capital

	31 December 2016 £000	2 January 2016 £000
Issued		
Ordinary shares		
105,877,777 ordinary shares of 1p each (2 January 2016 and 31 December 2016)	**1,059**	1,059
Total ordinary shares	**1,059**	1,059
Deferred shares		
690,294,608 deferred shares of 9p each	**62,126**	62,126
Second class deferred shares		
5,293,888,850 deferred shares of 0.98p each	**51,880**	51,880
Total deferred shares and second class deferred shares	**114,006**	114,006
Preference shares		
756,000 13.75% cumulative preference shares of £1 each	**756**	756
349,600 13.75% 'A' preference shares of £1 each	**350**	350
Total preference shares	**1,106**	1,106
Total issued share capital	**116,171**	116,171

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

Share warrants

The Company has issued share warrants over a total of 12.5% of its issued share capital to former lenders (with 5.0% issued 28 August 2009, 2.5% issued 24 April 2012 and 5.0% issued 21 September 2012). Each of the share warrants have the right to subscribe for 0.1533799 ordinary shares at an exercise price of £1.9745 per share and expire on 30 September 2017. The warrant instruments will be settled by the Company delivering a fixed number of ordinary shares and receiving a fixed amount of cash in return and so qualify as equity under IAS 39. The Binomial Option pricing model was used to assess the fair value of the share warrants issued in the financial year that they were issued. At the balance sheet date 30,359,979 warrants were outstanding.

26. Share premium

	31 December 2016 £000	2 January 2016 £000
Opening and closing balance	**312,702**	312,702

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

27. Notes to the Cash Flow Statement

	Notes	31 December 2016 £'000	2 January 2016 £'000
Operating (loss)/profit		**(323,066)**	1,158
Adjustments for non-cash items:			
Impairment of publishing titles	13	**336,850**	35,234
Impairment of print presses	14	**5,539**	-
Impairment of property	14	**1,937**	-
		21,260	36,392
Amortisation of intangible assets	13	**866**	1,815
Depreciation charges	14, 18	**6,550**	6,551
Charge for share-based payments	29	**1,832**	2,188
Profit on disposal of assets held for sale		**(401)**	-
Profit/(loss) on disposal of property, plant and equipment		**(16)**	(968)
Profit on disposal of property		**159**	-
Gain on disposal of intangibles		**(65)**	-
Past service cost		**3,539**	-
Disposal of interest in associates		**-**	12
Currency differences		**(94)**	(249)
		33,630	45,741
Operating items before working capital changes:			
Net pension funding contributions - cash	22	**(9,722)**	(8,928)
Movement in long-term provisions		**(598)**	(29)
Cash generated from operations before workings capital changes		**23,310**	36,784
Working capital changes:			
Decrease in inventories		**121**	160
(Increase)//decrease in receivables		**(181)**	2,868
(Decrease)/increase in payables/including restructuring payables, redundancy accruals and LTIP Settlement[1]		**(6,982)**	1,275
Cash generated from operations		**16,268**	41,087

[1] LTIP Settlement refers to £3.9 million payment to senior managers relating to the 2014 refinancing (excluding executive Directors) that was payable in early 2016, the cash for which was raised in 2014.

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

28. Commitments, guarantees and contingent liabilities

Lease commitments

The Group has entered into non-cancellable operating leases in respect of motor vehicles and land and buildings, the payments for which extend over a period of years.

	Note	31 December 2016 £'000	2 January 2016 £'000
Minimum lease payments under operating leases recognised as an expense in the year	5	**4,904**	6,012

At the period end date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2016 £'000	2 January 2016 £'000
Within one year	**3,956**	5,347
In the second to fifth years inclusive	**13,671**	16,376
After five years	**15,287**	18,324
Total future minimum lease payments	**32,914**	40,047

Operating lease payments represent rentals payable by the Group for certain of its office properties and motor vehicle fleet. Property leases are negotiated for an average of ten years typically with a break after five years or in regard to smaller offices these are negotiated under more flexible terms with an average length of one year. The Group pays insurance, maintenance and repairs of these properties. Leases in the case of vehicles are negotiated over four years and are fixed for the full rental period.

Assets pledged as security

Under the new capital refinancing agreement completed on 23 June 2014, the Group and all its material subsidiaries have entered into new security arrangements in connection with the new bond issued and the new revolving credit facility. The security provided includes fixed and floating charges over all or substantially all of the assets of certain members of the Group and share security over shares of certain members of the Group.

Contingent liabilities

Iconic Newspapers Limited

On 1 April 2014, the Group entered into a sale agreement with Iconic Newspaper Limited for the sale of the trade and assets of the Group's regional newspapers in the Republic of Ireland, including its Donegal titles, for £7.1 million. As a condition to the sale, Johnston Press plc agreed to provide a guarantee in respect of the performance of certain obligations of the entities within the Group making the disposal of the trade and assets up to a maximum aggregate limit of £3 million. That guarantee will be effective for up to 36 months following completion of the sale.

29. *Share-based payments*

Group Savings-Related Share Option Scheme

The Group operates a Savings-Related Share Option Scheme. This has been approved by the Inland Revenue and allows options to be granted to eligible employees who save amounts deducted from post-tax income monthly under arrangements with the relevant plan managers for a period of either three, five or seven years. The Savings-Related Share Option Schemes up to and including 2010 are operated by Computershare Plan Managers. The 2013 scheme is operated by Yorkshire Building Society and under a change in HMRC rules is for a period of three or five years. The right to exercise is at the discretion of the employee within six months following the end of the period of saving.

Options outstanding under the Savings-Related Scheme at the period end with a weighted average exercise price of 3.3p:

	31 December 2016		2 January 2016	
Option grant date	Number of shares	Issue price per share	Number of shares	Issue price per share
26 September 2008	-	-	4,691	541.95p
25 September 2009	**2,844**	**412.22p**	2,844	412.22p
28 September 2010	**4,856**	**227.01p**	76,167	227.01p
27 September 2013	**356,080**	**191.34p**	512,728	191.34p

The Group recognised a net charge of £0.03 million for the period ended 31 December 2016 (2 January 2016: charge of £0.1 million) related to equity-settled share-based payment transactions for the Savings-Related Share Option Scheme.

The above options were granted at the closing mid-market price on the day prior to the invitation being sent to employees on 1 September 2008, 1 September 2009, 1 September 2010 and 30 August 2013 respectively. This follows the approval of the revised Sharesave Scheme at the Annual General Meeting in April 2007. A discount of 20% to the average mid-market price was applied to the issues up to and including 2009.

No discount was applied to the 2010 issue and a discount of 10% was applied to the 2013 issue.

There were no options granted under the Savings-Related Share Option Scheme in either 2011, 2012, 2014, 2015 or 2016.

Performance Share Plan

The Group makes awards to Executive Directors and certain senior employees on an annual basis under the Performance Share Plan (PSP). The awards vest after three years if certain performance criteria are met during that period. If the scheme conditions are met at the vesting date participants have 10 years from the date of grant to exercise the option.

Grants were made under the PSP scheme on 24 March 2016 to certain senior employees. A total of 2,044,662 shares were granted at an exercise price of £0.275 per share. The vesting of the shares is on the basis that two performance conditions are met, being EPS and TSR on a 50:50 basis, on the same basis as the previous PSP awards. The fair value of the TSR/market-based condition of the award has been determined using a stochastic model. The Black-Scholes model has been used to value the EPS/performance-based condition of the award.

Notes to the Consolidated Financial Statements continued
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29. Share-based payments continued
Performance Share Plan continued
Awards outstanding under the Performance Share Plan at the period end with a weighted average exercise price of 0.94p/share:

		31 December 2016		2 January 2016	
Grant date	Vesting dates	Number of shares	Market price on award	Number of shares	Market price on award
5 June 2013	5 June 2016	-	-	399,621	250.79p
12 December 2014	12 December 2017	**50,078**	**159.75p**	50,078	159.75p
26 May 2015	26 May 2018	**1,282,229**	**154.90p**	1,534,374	154.90p
24 September 2015	24 September 2018	**42,104**	**93.90p**	42,104	93.90p
24 March 2016	24 March 2019	**2,044,662**	**43.10p**	-	-

The Group recognised a net charge of £0.4 million for the period ended 31 December 2016 (2 January 2016: net charge of £0.4 million) related to equity-settled share-based payment transactions for the Performance Share Plan.

Company Share Option Plan
The Group granted options to certain senior managers to purchase shares in the Group at a certain market price, under the Company Share Option Plan. The awards vest after three years provided the employee remains employed by the Group.

Options outstanding under the Company Share Option Plan at the period end with a weighted average exercise price of 3.44p per/share:

		31 December 2016		2 January 2016	
Grant date	Vesting dates	Number of shares	Market price on award	Number of shares	Market Price on award
28 June 2012	27 June 2015	**192,229**	**73.00p**	244,367	73.00p
5 June 2013	4 June 2016	**230,665**	**250.79p**	317,796	250.79p

The Group recognised a net charge of £0.06 million for the period ended 31 December 2016 (2 January 2016: net charge of £0.1 million) related to equity-settled share-based payment transactions for the Company Share Option Plan.

Deferred Share Bonus Plan
It has been the Group's policy that a proportion of any bonus paid to Executive Directors and certain senior employees is paid in shares deferred for three years. These are deferred in the form of options under the Deferred Share Bonus Plan 2012. Awards which vest under the plan may only be satisfied using shares purchased in the market. 366,979 options with a weighted average exercise price of 2.43p per/share (2 January 2016: 425,337) shares were outstanding in relation to Deferred Share Bonus Plan awards.

The Group recognised a net charge of £nil for the period ended 31 December (2 January 2016: £nil) related to equity-settled bonus payments for the Deferred Share Bonus Plan.

Value Creation Plan
A Value Creation Plan (VCP) scheme was approved by shareholders at the Company's Annual General Meeting on 27 June 2014. Awards under the scheme were granted on 22 September 2014 to Executive Directors and certain senior employees, a further award was granted on 26 May 2015 with a shortened vesting period to coincide with the original scheme vesting dates. Subject to share price performance, half the awards will vest on 23 June 2017 with the other half vesting on 23 June 2018 (provided the employee remains with the Company).

Options outstanding under the VCP at the period end with a weighted average exercise price of 0.45p per/share:

Grant date	Number of shares	Market price on award	Vesting dates
22 September 2014	6,412,937	230.8p	23 June 2017
26 May 2015	697,229	231.0p	23 June 2017

The Group recognised a net charge of £1.0 million for the period ended 31 December 2016 (2 January 2016: £1.0 million) related to equity-settled share-based payment transactions for the VCP.

Restricted Share Plan

A new Restricted Share Plan (RSP) scheme was granted on 24 March 2016 to senior employees. The only condition of vesting is that the employee remains in employment until 31 December 2017. A total of 2,635,630 shares were granted at an exercise price of £0.431 per share. Half the shares vest on 31 December 2017 and half on 31 December 2018.

Further awards of 143,198 shares was granted under the same scheme rules in April 2016 with a 31 December 2018 vesting date and are conditional on the employees remaining in employment until vesting date. The Black-Scholes model has been used to value the award.

Options outstanding under the RSP at the period end with a weighted average exercise price of 0.429p per/share:

Grant date	Number of shares	Market price on award	Vesting dates
24 March 2016	2,063,474	0.43p	31 December 2017/18
19 April 2016	143,198	0.42p	31 December 2017/18

The Group recognised a net charge of £0.4 million for the period ended 31 December 2016 related to equity-settled bonus payments for the Restricted Share Plan.

30. Related party transactions

Associated parties

The Group did not undertake any related party transactions during the current or preceding period.

Transactions with Directors

There were no material transactions with Directors of the Company during the year, except for those relating to remuneration and shareholdings, disclosed in the Directors' Remuneration Report.

For the purposes of IAS 24, Related Party Disclosures, management below the level of the Company's Board are not regarded as related parties.

The remuneration of the Directors at the year-end, who are the key management personnel of the Group, is set out in aggregate in the audited part of the Directors' Remuneration Report on page 47.

31. Financial instruments

a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 21, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in Note 25 and in the Group Statement of Changes in Equity.

b) Gearing ratio

The Board of Directors formally reviews the capital structure of the Group when considering any major corporate transactions. As part of these reviews, the Board considers the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Board, the Group will balance its overall capital structure when appropriate through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at the period end is as follows:

	31 December 2016 £000	2 January 2016 £000
Debt	**143,000**	186,619
Cash and cash equivalents	**(16,058)**	(40,564)
Net debt (excluding the impact of cross-currency hedges)	**126,942**	146,055
(Deficit)/equity	**(24,621)**	259,015
Gearing ratio	**n/a**	36.1%

Debt is defined as long and short-term borrowings as detailed in Note 21. Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

c) Externally imposed capital requirements

The Group is not subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements continued
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31. Financial instruments continued
d) Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

e) Categories of financial instruments

	31 December 2016 £000	2 January 2016 £000
Financial assets (current and non-current)		
Trade receivables	**23,089**	22,500
Cash and cash equivalents	**16,058**	40,564
Available for sale financial assets	**970**	970
Prepayments	**2,123**	3,836
Other debtors	**5,545**	5,292
Financial liabilities (current and non-current)		
Trade payables	**(17,482)**	(17,112)
Borrowings	**(143,000)**	(186,619)

f) Financial risk management objectives
The Group's treasury function supports the business and monitors and, with Group finance, manages the financial risks relating to the operations of the Group through assessment of the exposures by degree and magnitude of risk. These risks include market risk (including currency risk and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The use of financial derivatives is governed by the Group's policies approved by the Board and guidelines agreed with the Group's lenders that must be operated within. The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The Group finance function reports regularly to the Executive Directors and the Board.

g) Market risk
The Group's activities expose it primarily to the financial risks of changes in interest rates (refer to section i) and foreign currency exchange (refer to section h).

At a Group and Company level, market risk exposures are assessed using sensitivity analyses.

There have been no significant changes to the Group's exposure to market risks or the manner in which it manages and measures risk.

h) Foreign currency risk management
The Group undertakes certain operational transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	31 December 2016 £000	2 January 2016 £000	31 December 2016 £000	2 January 2016 £000
Euro				
Trade receivables	**-**	-	**350**	384
Cash and cash equivalents	**-**	-	**627**	1,473
Trade payables	**(108)**	(589)	**-**	-
US dollar				
Cash and cash equivalents	**-**	-	**54**	64
Trade payables	**(265)**	(182)	**-**	-

Foreign currency sensitivity
The following table details the Group's sensitivity to a 5% change in pounds sterling against the euro and a 5% change in pounds sterling against the US dollar. These percentages are the rates used by management when assessing sensitivities internally and represent management's assessment of the possible change in foreign currency rates.

The Group does not hedge the euro income or deposits or trade payables because the risk of foreign exchange movements is not deemed to be significant.

The Group buys newsprint in Sterling through Daily Mail General Trust (DMGT), who source the paper from the UK, Europe and the North Americas. Newsprint pricing is inextricably linked to its global commodity status and as a result the Group is exposed to foreign currency risk on paper purchases.

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and other equity where pounds sterling strengthens against the respective currency. For a 5% weakening of the sterling against the relevant currency, there is an equal and opposite impact on profit or loss and other equity, and the balances below reverse signs.

	Euro currency impact		US dollar currency impact	
5% strengthening of pounds sterling (GBP)	**31 December 2016 £'000**	2 January 2016 £'000	**31 December 2016 £'000**	2 January 2016 £'000
(Loss)/profit	**(41)**	(81)	**10**	(6)

i) Interest rate risk management
As mentioned in Note 21 (Borrowings), the Group issued 8.625% senior secured notes (Bond) which has fixed the interest costs for the Group borrowings. As a result the Group no longer has the need to use financial derivatives.

In addition the Group's undrawn Revolving Credit Facility (RCF) which carried a floating interest rate if utilised, was cancelled on the completion of the sale of Johnston Publishing East Anglia Limited to Iliffe Media Ltd. Refer to Note 32 for further details.

Measurement
Financial instruments that are measured subsequent to initial recognition at fair value are grouped into three levels based on the extent to which the fair value is observable. The levels are classified as follows:

Level 1: fair value is based on quoted prices in active markets for identified financial assets and liabilities.

Level 2: fair value is determined using directly observable inputs other than level 1 inputs.

Level 3: fair value is determined on inputs not based on observable market data.

The available for sale investments are classified as Level 3 financial instruments. There have been no transfers between the various levels of the fair value hierarchy during the period.

j) Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a way of mitigating the risk of financial loss from defaults. The Group's policy on dealing with trade customers is described in Notes 2 and 20.

The Group's exposure and the credit ratings of its counterparties are continuously monitored. As far as possible, the aggregate value of transactions is spread across a number of approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, the latter being defined as connected entities, other than with some of the larger advertising agencies. In the case of the latter, a close relationship exists between the Group and the agencies and appropriate allowances for doubtful debts are in place. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements continued
For the 52 week period ended 31 December 2016

31. Financial instruments continued
j) Credit risk management continued
The following table shows the total estimated exposure to credit risk for all of the Group's financial assets, excluding trade receivables which are discussed in Note 20:

		31 December 2016		2 January 2016	
	Note	Carrying value £000	Exposure to credit risk £000	Carrying value £000	Exposure to credit risk £000
Available for sale investments	15	**970**	**-**	970	-
Cash and cash equivalents		**16,058**	**-**	40,564	-
		17,028	**-**	41,534	-

k) Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has agreed an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is further discussed in the Financial Review on page 24.

32. Post balance sheet events
On 17 January 2017, the Group completed the disposal of the entire issued share capital of Johnston Publishing East Anglia Limited, which owns 13 publishing titles and associated websites in East Anglia and the East Midlands, to Iliffe Media Limited for a gross cash consideration of £17 million less £1 million of associated costs.

At completion the Group entered in to a transitional services agreement (TSA) relating to the provision of transitional and content services by the Group to Iliffe Media Publishing Limited for a period of up to 12 months following completion.

The Group's revolving credit facility was cancelled on completion of the above sale, refer Note 31(i).

Group Five-Year Summary[1]

	31 December 2016[1,2] £'000	2 January 2016[1,2] £'000	3 January 2015[1,2] £'000	28 December 2013[1] £'000	29 December 2012[1] £'000
Income statement					
Revenue	**222,699**	242,083	268,823	302,799	328,691
Operating (loss)/profit on ordinary activities[3]	**(323,066)**	317	10,713	(245,670)	40,441
Share of associates' operating profit	**-**	-	-	2	6
(Loss)/profit before interest and taxation	**(323,066)**	317	10,713	(245,668)	40,447
Net finance costs	**22,805**	1,866	(34,629)	(41,167)	(47,212)
(Loss)/profit before taxation	**(300,261)**	2,183	(23,916)	(286,835)	(6,765)
Taxation	**53,371**	8,538	8,580	74,869	12,376
(Loss)/profit for the year	**(246,890)**	10,721	(15,336)	(211,966)	5,611
Net (loss)/profit from discontinued operations	**28**	710	-	-	-
Consolidated (loss)/profit for the year	**(246,862)**	11,431	(15,336)	(211,966)	5,611
Statistics					
(Loss)/earnings[4]	**(247,104)**	11,279	(15,488)	(212,118)	5,459
Weighted average number of shares[4]	**105,326**	105, 281	3,520,000	647,804	621,759
Basic (loss)/earnings per share (p)	**(234.55)**	10.71	(0.44)	(32.74)	0.88
Operating profit[3] to turnover	**n/a**	0.1%	4.0%	(81.1%)	12.3%
Balance sheet					
Intangible assets	**152,050**	479,047	514,324	541,360	742,294
Property, plant and equipment	**36,684**	52,713	53,334	54,181	127,223
Investments	**970**	970	992	992	990
Derivative financial instruments	**-**	-	-	-	2,742
Trade and other receivables	**1**	2	-	-	-
	189,705	532,732	568,650	596,533	873,249
Net current assets/(liabilities)	**14,812**	21,010	15,824	(14,737)	16,829
Total assets and current assets/(liabilities)	**204,517**	553,742	584,474	581,796	890,078
Non-current liabilities	**(229,175)**	(294,727)	(215,439)	(314,999)	(334,362)
Long-term provisions	**(1,550)**	(3,641)	(169,054)	(169,714)	(281,799)
Net (liabilities)/assets	**(24,658)**	259,015	199,981	97,083	273,917
Shareholders' funds					
Ordinary shares	**115,065**	115,065	115,065	68,435	63,975
Preference shares	**1,106**	1,106	1,106	1,106	1,106
Reserves	**(140,829)**	142,844	83,810	27,542	208,836
Capital employed	**(24,658)**	259,015	199,981	97,083	273,917

1 All periods related to 52 trading weeks with the exception of 3 January 2015 which was a 53-week period.
2 *Adjusted for the adoption of IAS19R and for the disposal of the Republic of Ireland business on 1 April 2014.*
3 Before exceptional and IAS21/39 items.
4 In line with IAS 33, the preference dividend and the number of preference shares are excluded from the calculation of earnings per share.

Company Balance Sheet
As at 31 December 2016

	Notes	31 December 2016 £'000	Restated[1] 2 January 2016 £000
Fixed assets			
Tangible assets	34	**156**	187
Investments	35	**108,813**	353,528
		108,969	353,715
Current assets			
Debtors – due within one year	36	**213,513**	455,346
Debtors – due after more than one year	36	**229**	627
Cash at bank and in hand		**1,538**	10,061
		215,280	466,034
Creditors: amounts falling due within one year	37	**(86,033)**	(89,218)
Net current assets		**129,247**	376,816
Total assets less current liabilities		**238,216**	730,531
Creditors: amounts falling due after more than one year	38	**(216,212)**	(216,287)
Provisions for liabilities	39	**(523)**	(839)
Net assets		**21,481**	513,405
Capital and reserves			
Called-up share capital			
Ordinary	25	**115,065**	115,065
Preference	25	**1,106**	1,106
		116,171	116,171
Reserves		**(94,690)**	397,234
Shareholders' funds		**21,481**	513,405

[1] Prior year comparatives have been restated for current amounts owed to and by subsidiary undertakings to provide more meaningful comparative information.

The comparative numbers are as at 2 January 2016.

The Company reported a comprehensive loss for the financial year ended 31 December 2016 of £493.6 million (2 January 2016 £ 20.5m million) largely comprising an impairment of the investment and write down in intercompany debtors.

The financial statements of Johnston Press plc, registered in Scotland (number 15382), were approved by the Board of Directors on 29 March 2017 and were signed on its behalf by:

Ashley Highfield
Chief Executive Officer

David King
Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

Company Statement of Changes in Equity

For the 52 week period ended 31 December 2016

	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Own shares £'000	Retained earnings £'000	Total £'000
Opening balances	116,171	312,702	6,968	(3,582)	81,146	513,405
Total comprehensive (loss) for the period	-	-	-	-	(493,604)	(493,604)
Recognised directly in equity:						
Preference share dividends (Note 11)	-	-	-	-	(152)	(152)
Share-based payments charge (Note 29)	-	-	1,832	-	-	1,832
Release of SBP reserve for expired share schemes	-	-	(533)	-	533	-
Release of own shares	-	-	-	251	(251)	-
Deferred bonus plan exercised	-	-	(64)	-	64	-
Net changes directly in equity	-	-	1,235	251	194	1,680
Total movements	-	-	1,235	251	(493,410)	(491,924)
Equity at the end of the period	116,171	312,702	8,203	(3,331)	(412,262)	21,481

For the 52 week period ended 2 January 2016

	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Own shares £'000	Retained earnings £'000	Total £'000
Opening balances	116,171	587,702	13,785	(5,206)	(179,733)	532,719
Total comprehensive (loss)/profit for the period	-	-	-	-	(20,472)	(20,472)
Recognised directly in equity:						
Preference share dividends (Note 11)	-	-	-	-	(152)	(152)
Share-based payments charge (Note 29)	-	-	2,188	-	-	2,188
Release of SBP reserve for expired share schemes	-	-	(8,666)	-	8,666	-
Share capital reduction (Note 40)	-	(275,000)	-	-	275,000	-
Performance share plan exercised	-	-	(321)	321	-	-
Company share option plan exercised	-	-	-	17	-	17
Deferred bonus plan exercised	-	-	(18)	18	-	-
Purchase of own shares	-	-	-	(895)	-	(895)
Release of own shares	-	-	-	2,163	(2,163)	-
Net changes directly in equity	-	(275,000)	(6,817)	1,624	281,351	1,158
Total movements	-	(275,000)	(6,817)	1,624	260,879	(19,314)
Equity at the end of the period	116,171	312,702	6,968	(3,582)	81,146	513,405

Notes to the Company Financial Statements
For the 52 week period ended 31 December 2016

33. Significant Accounting Policies
Basis of accounting and preparation
The separate financial statements of the Company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the 52 weeks ended 31 December 2016 the company has decided to adopt FRS 102 and has undergone transition from reporting under United Kingdom Accounting Standards to FRS 102 as issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 102 (Financial Reporting Standard 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements.

The Company's result for the period, determined in accordance with the Act, was a loss of £493.69 million (2 January 2016: loss of £20.5 million), including the actuarial gain on the unfunded pension. The financial statements have been prepared on the historical cost basis except for financial instruments, unlisted investments and share-based payments as explained in the principal accounting policies adopted set out below.

The 2016 period was for the 52 weeks ended 31 December 2016 with the prior year being for the 52 weeks ended 2 January 2016.

Going concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that both the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in Note 1 within the section on 'going concern'.

Tangible fixed assets
Tangible fixed asset balances are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment, excluding land, at varying rates calculated to write-off cost over the useful lives. The principal rates employed are:

Plant and machinery	20% straight-line basis

Investments
Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Unlisted investments are shown at Directors' valuation. Upward revaluations are credited to the revaluation reserve. Downward revaluations in excess of any previous upward revaluations are taken to the Profit and Loss Account.

Borrowings
Interest-bearing loans and bank overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premium payable on settlement or redemption and direct issue costs, are charged to the Profit and Loss Account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Fees incurred in negotiating borrowings are held on the Balance Sheet and amortised to the Profit and Loss Account over the term of the underlying debt.

Taxation
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the period end date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the period end date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the period end date.

Share-based payments
The Company issues equity settled share-based benefits to certain employees. These share-based payments are measured at their fair value at the date of grant and the fair value of expected shares is expensed to the Profit and Loss Account on a straight-line basis over the vesting period. Fair value is measured by use of the Black-Scholes model, as amended to take account of the Directors' best estimate of probable share vesting and exercise.

Dividends
Dividends payable to the Company's shareholders are recorded as a liability in the period in which the dividends are approved. In the Company's financial statements, dividends receivable from subsidiaries are recognised as assets in the period in which the dividends are approved.

Financial instruments
Financial assets and financial liabilities are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of that instrument.

The Company's activities and funding structure give rise to some exposure to the financial risks of changes in interest rates and foreign currency exchange rates. The Company uses interest rate swaps and cross-currency interest rate swaps to manage these exposures.

The Company does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments are recognised directly in the Profit and Loss Account.

34. Tangible fixed assets

	Plant and machinery £000
Cost	
At 2 January 2016	240
At 31 December 2016	**240**
Depreciation	
At 2 January 2016	53
Charge for the period	31
At 31 December 2016	**84**
Carrying amount	
At 2 January 2016	187
At 31 December 2016	**156**

35. Investments

	Subsidiary undertakings £000	Unlisted investments £000	Total £000
Cost			
At the start of the period	1,107,847	3,526	1,111,373
Disposal	-	(3,526)	(3,526)
Amounts relating to share-based payments	653	-	653
At the end of the period	**1,108,500**	**-**	**1,108,500**
Provisions for impairment			
At the start of the period	(754,319)	(3,526)	(757,845)
Disposal	-	3,526	3,526
Provision for impairment of investment in subsidiaries	(245,368)	-	(245,368)
At the end of the period	**(999,687)**	**-**	**(999,687)**
Net book value			
At the start of the period	353,528	-	353,528
At the end of the period	**108,813**	**-**	**108,813**

An impairment charge has been reflected in the financial statements of the Group. Full details are explained in Note 13. Inevitably this affects the value of the investments held by the parent company and the element of the impairment of intangible assets relating to the investments held by the Company only has been processed as an impairment of investments.

In the period, the Company disposed of its fully impaired unlisted investment in Mirago plc.

Notes to the Company Financial Statements continued
For the 52 week period ended 31 December 2016

35. Investments continued
The Company's subsidiary undertakings are as follows:

Subsidiaries incorporated in England, with a registered office of Unex House - Suite B, Bourges Boulevard, Peterborough, Cambridgeshire, PE1 1NG, England are as follows:

	Country of incorporation and operation	Proportion of ownership interest	Nature of business	Status
Ackrill Newspapers Limited	England	100%	Newspaper publishers	Agency
Anglia Newspapers Limited	England	100%	Newspaper publishers	Agency
Bedfordshire Newspapers Limited	England	100%	Newspaper publishers	Dormant
Blackpool Gazette & Herald Limited	England	100%	Newspaper publishers	Agency
Central Counties Newspapers Limited	England	100%	Newspaper publishers	Dormant
Century Press and Publishing Limited	England	100%	Newspaper publishers	Dormant
East Lancashire Newspapers Limited	England	100%	Newspaper publishers	Agency
East Midlands Newspapers Limited	England	100%	Newspaper publishers	Agency
Halifax Courier Holdings Limited	England	100%	Holding company	Holding
Johnston Letterbox Direct Limited	England	100%	Newspaper publishers	Agency
Johnston Publishing (North) Limited	England	100%	Newspaper publishers	Dormant
Johnston Publishing Limited	England	100%	Newspaper publishers	Trading
Lancashire Evening Post Limited	England	100%	Newspaper publishers	Agency
Lancashire Publications Limited	England	100%	Newspaper publishers	Agency
Lancaster & Morecambe Newspapers Limited	England	100%	Newspaper publishers	Agency
Lincolnshire Newspapers Limited	England	100%	Newspaper publishers	Dormant
Love News Media Limited	England	100%	Newspaper publishers	Agency
Minthill Limited	England	100%	Holding company	Dormant
North Notts Newspapers Limited	England	100%	Newspaper publishers	Dormant
Northampton Web Limited	England	100%	Contract printers	Dormant
Northamptonshire Newspapers Limited	England	100%	Newspaper publishers	Agency
NorthEast Press Limited	England	100%	Newspaper publishers	Agency
Peterboro' Web Limited	England	100%	Contract printers	Agency
Portsmouth & Sunderland Newspapers Limited	England	100%	Newspaper publishers	Holding
Portsmouth Publishing & Printing Limited	England	100%	Newspaper publishers and printer	Dormant
Premier Newspapers Limited	England	100%	Newspaper publishers	Agency
Regional Independent Media Acquisitions Limited	England	100%	Newspaper publishers	Dormant
Regional Independent Media Funding 1 Limited	England	100%	Newspaper publishers	Dormant
Regional Independent Media Funding 2 Limited	England	100%	Newspaper publishers	Dormant
Regional Independent Media Group Limited	England	100%	Newspaper publishers	Dormant
Regional Independent Media Holdings Limited	England	100%	Newspaper publishers	Dormant
Regional Interactive Media Limited	England	100%	Newspaper publishers	Dormant
Sheffield Newspapers Limited	England	100%	Newspaper publishers	Agency
South Yorkshire Newspapers Limited	England	100%	Newspaper publishers	Agency
Sussex Newspapers Limited	England	100%	Newspaper publishers	Agency
T R Beckett Limited	England	100%	Newspaper publishers	Dormant
The Halifax Courier Limited	England	100%	Newspaper publishers	Agency
The Reporter Limited	England	100%	Newspaper publishers	Dormant
Welland Valley Newspapers Limited	England	100%	Newspaper publishers	Dormant
Wilfred Edmunds Limited	England	100%	Newspaper publishers	Agency
Yorkshire Post Newspapers Limited	England	100%	Newspaper publishers	Agency
Yorkshire Regional Newspapers Limited	England	100%	Newspaper publishers	Agency
Yorkshire Weekly Newspaper Group Limited	England	100%	Newspaper publishers	Agency

Lincolnshire Standard Group Limited - struck off 06/12/2016.
Johnston Publishing East Anglia Limited - incorporated 12/12/2016 sold 27/01/2017.

Subsidiaries incorporated in the Isle of Man and with a registered office of Publishing House, Peel Road, Douglas, Isle of Man, IM1 5PZ are as follows:

	Country of incorporation and operation	Proportion of ownership interest	Nature of business	Status
Isle of Man Courier Holdings Limited	Isle of Man	100%	Investment holding company	Holding
Isle of Man Newspapers Limited (disposed of in August 2016 to Tindles Newspapers Limited, refer to Note 10)	Isle of Man	n/a	Newspaper publishers	Trading

Subsidiaries incorporated in England and with a registered office of 2 Cavendish Square, London, W1G 0PU, England are as follows:

	Country of incorporation and operation	Proportion of ownership interest	Nature of business	Status
Johnston Press Bond plc	England	100%	Financing	Trading
Johnston Publications Limited	England	100%	Newspaper publishers	Trading

Subsidiaries incorporated in Scotland and with a registered office of 8th Floor, Orchard Brae House, 30 Queensferry Road, Edinburgh, EH4 2HS, Scotland are as follows:

	Country of incorporation and operation	Proportion of ownership interest	Nature of business	Status
Angus County Press Limited	Scotland	100%	Newspaper publishers	Agency
Caledonian Offset Limited	Scotland	100%	Newspaper publishers	Dormant
F Johnston & Co Limited	Scotland	100%	Newspaper publishers	Dormant
Johnston (Falkirk) Limited	Scotland	100%	Newspaper publishers	Agency
Montrose Review Press Limited	Scotland	100%	Newspaper publishers	Dormant
MRP Holdings Limited	Scotland	100%	Holding company	Dormant
Score Press Limited	Scotland	100%	Holding company	Holding
Stornoway Gazette Limited	Scotland	100%	Newspaper publishers	Agency
Strachan & Livingston Limited	Scotland	100%	Newspaper publishers	Agency
The Galloway Gazette Limited	Scotland	100%	Newspaper publishers	Agency
The Scotsman Publications Limited	Scotland	100%	Newspaper publishers	Agency
The Tweeddale Press Limited	Scotland	100%	Newspaper publishers	Agency

Subsidiaries incorporated in Northern Ireland and with a registered office of 2 Esky Drive, Carn Industrial Area, Portadown, Craigavon, County Armagh, BT63 5YY, Northern Ireland are as follows:

	Country of incorporation and operation	Proportion of ownership interest	Nature of business	Status
Century Newspapers Limited	Northern Ireland	100%	Newspaper publishers	Dormant
Derry Journal Limited	Northern Ireland	100%	Newspaper publishers	Agency
Local Press Limited	Northern Ireland	100%	Holding company	Dormant
Morton Newspapers Limited	Northern Ireland	100%	Newspaper publishers and printer	Agency

Notes to the Company Financial Statements continued
For the 52 week period ended 31 December 2016

35. Investments continued
Subsidiaries incorporated in Ireland and with a registered office of Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland are as follows:

	Country of incorporation and operation	Proportion of ownership interest	Nature of business	Status
Limerick Leader Limited	Ireland	100%	Newspaper publishers	Dormant
Wellbrook Press Unlimited Company	Ireland	100%	Newspaper publishers	Dormant

Subsidiaries incorporated in Ireland and with a registered office of Riverside One, 37-42 Sir John Rogerson's Quay, Dublin 2, Ireland are as follows:

	Country of incorporation and operation	Proportion of ownership interest	Nature of business	Status
Carsrock Limited[1]	Ireland	100%	Newspaper publishers	Dormant
Clonnad Limited[1]	Ireland	100%	Newspaper publishers	Dormant
Donegal Democrat Printing Unlimited Company[1]	Ireland	100%	Newspaper publishers	Dormant
Dundalk Democrat Limited, The[1]	Ireland	100%	Newspaper publishers	Agency
Johnston Press Ireland Limited	Ireland	100%	Newspaper publishers	Dormant
Kilkenny People Holdings Limited	Ireland	100%	Newspaper publishers	Dormant
Kilkenny People Printing Limited[1]	Ireland	100%	Newspaper publishers	Dormant
Kilkenny People Publishing Limited	Ireland	100%	Newspaper publishers	Dormant
Leader Print Limited	Ireland	100%	Newspaper publishers	Dormant
Leinster Express Newspapers Limited	Ireland	100%	Newspaper publishers	Dormant
Leinster Express Printing Unlimited Company	Ireland	100%	Newspaper publishers	Dormant
Leinster Leader Limited, The	Ireland	100%	Newspaper publishers	Dormant
Leitrim Observer Limited	Ireland	100%	Newspaper publishers	Dormant
Limerickman Unlimited Company	Ireland	100%	Newspaper publishers	Dormant
Longford Leader Limited, The	Ireland	100%	Newspaper publishers	Dormant
Nationalist Newspaper Unlimited Company	Ireland	100%	Newspaper publishers	Dormant
Score Press Ireland Unlimited Company	Ireland	100%	Holding company	Dormant
The Donegal Democrat Limited	Ireland	100%	Newspaper publishers	Dormant
The Munster Tribune Unlimited Company	Ireland	100%	Newspaper publishers	Dormant
Thomas Roe Unlimited Company	Ireland	100%	Newspaper publishers	Dormant
Twinlink Holdings Unlimited Company[1]	Ireland	100%	Newspaper publishers	Dormant

[1] Irish entities were struck off on 25 January 2017.

Irish entities struck off during 2016 include:
Lynoset Limited - struck off 23 March 2016
West Limerickman Limited - struck off 23 March 2016
Kalamalka Limited - struck off 30 March 2016
Kitzbuhel Limited - struck off 30 March 2016

There is no difference in the proportions of ownership interest shown above and the voting power held. All investments in subsidiary undertakings are held at cost less, where appropriate, provisions for impairment.

All subsidiaries have been included within the consolidated accounts.

36. Debtors

	31 December 2016 £'000	Restated[1] 2 January 2016 £'000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**193,498**	439,797
Group relief receivable	**18,967**	14,516
Trade and other debtors and prepayments	**1,048**	1,033
	213,513	455,346
Amounts falling due after more than one year		
Deferred tax asset – see below	**229**	627

[1] Prior year comparatives for current amounts owed to and by subsidiary undertakings has been restated to provide more meaningful comparative information.

The following are the major deferred tax assets recognised by the Company and movements thereon during the year:

	Accelerated tax depreciation £'000	Pension balances £'000	Other timing differences £'000	Total £'000
At the start of the period	(3)	159	471	627
Charge to equity relating to unfunded pensions	-	(60)	-	(60)
Charge to profit and loss account	(6)	-	(318)	(324)
Prior year adjustment	(4)	-	-	(4)
Effect of change in tax rates on profit and loss account	1	(17)	-	(16)
Effect of change in tax rates on equity	-	6	-	6
At the end of the period	**(12)**	**88**	**153**	**229**

37. Creditors: amounts falling due within one year

	31 December 2016 £'000	Restated[1] 2 January 2016 £'000
Amounts owed to subsidiary undertakings	**82,939**	85,198
Other taxes and social security costs	**96**	147
Trade creditors	**1,978**	1,334
Accruals	**944**	2,539
Other creditors	**76**	-
	86,033	89,218

[1] Prior year comparatives for current amounts owed to and by subsidiary undertakings has been restated to provide more meaningful comparative information.

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

	31 December 2016 £'000	2 January 2016 £'000
Amounts owed to subsidiary undertakings	**215,600**	215,600
Accruals	**612**	687
	216,212	216,287

Notes to the Company Financial Statements continued
For the 52 week period ended 31 December 2016

39. Provisions for liabilities

	31 December 2016 £'000	2 January 2016 £'000
Unfunded pensions	**523**	839

The unfunded pension provision is assessed by a qualified actuary at each period end. Refer to Note 22 for further details.

40. Reserves

	Share premium £'000	Share-based payments reserve £'000	Retained earnings £'000	Own shares £'000	Total £'000
Opening balance	312,702	6,968	81,146	(3,582)	397,234
Loss for the period	-	-	(493,604)	-	(493,604)
Preference share dividends (Note 11)	-	-	(152)	-	(152)
Provision for share-based payments	-	1,832	-	-	1,832
Release of share-based payments reserve for expired share schemes	-	(533)	533	-	-
Release of own shares	-	-	(251)	251	-
Deferred bonus shares exercised	-	(64)	64	-	-
At the end of the period	**312,702**	**8,203**	**(412,264)**	**(3,331)**	**(94,690)**

The own shares reserve represents the cost of shares in Johnston Press plc purchased in the market and held by the Johnston Press plc Employee Share Trust (the "JP EST") to satisfy options under the Group's share options schemes (see Note 29). The number of ordinary shares held by the JP EST as at 31 December 2016 was 552,272 (2 January 2016: 596,388).

At the Company's Annual General Meeting on 27 June 2014, a special resolution was approved to initiate a process to reduce the Company's share premium account by £275 million. This was approved by the Court of Session in May 2015. The capital reduction eliminated the accumulated deficit of £179.7 million on the Company's profit and loss account and create positive distributable reserves of £95.3 million. This enabled the Company to pay out dividends in respect of its two classes of preference shares in the 2015 year and in respect of unpaid dividends from 2014. Refer to the table below for further details.

Capital reduction - Share premium

	3 January 2015 £'000	Capital reduction £'000	Post-capital reduction £'000
Share premium	587,702	(275,000)	312,702
Retained earnings	(179,733)	275,000	95,267
	407,969	-	407,969

41. Statement of changes in equity

	31 December 2016 £'000	2 January 2016 £'000
(Loss) for the year after taxation	**(493,866)**	(20,955)
Actuarial gain on defined benefit pension schemes	**262**	483
Comprehensive loss for the period	**(493,604)**	(20,472)
Preference share dividends (Note 11)	**(152)**	(152)
Provision for share-based payments (Note 29)	**1,832**	2,188
Options exercised	-	17
Own shares purchased	-	(895)
Net increase/(decrease) in shareholders' funds	**(491,924)**	(19,314)
Opening shareholders' funds	**513,405**	532,719
Closing shareholders' funds	**21,481**	513,405

Non-GAAP Measures

Adjusting Items - Other supplementary information

Consolidated Income Statement - Reconciliation of Statutory and Adjusted Numbers

	Notes	52 weeks ended 31 December 2016			52 weeks ended 2 January 2016		
		Statutory £'000s	Adjusting items £'000s	Adjusted £'000s	Statutory £'000s	Adjusting items £'000s	Adjusted £'000s
Advertising revenue							
Print advertising	A	**95,674**	**(684)**	**94,990**	117,598	(2,979)	114,619
Digital advertising	A	**26,950**	**(379)**	**26,571**	31,423	(2,363)	29,060
Total advertising revenue		**122,624**	**(1,063)**	**121,561**	149,021	(5,342)	143,679
Non advertising revenue							
Newspaper sales	A	**79,849**	**(104)**	**79,745**	71,964	(337)	71,627
Contract printing	A	**12,788**	**(9)**	**12,779**	12,625	(18)	12,607
Leaflet, sundry and other	A	**7,438**	**(16)**	**7,422**	8,473	(644)	7,829
Total other revenue		**100,075**	**(129)**	**99,946**	93,062	(999)	92,063
Total continuing revenues		**222,699**	**(1,192)**	**221,507**	242,083	(6,341)	235,742
Cost of sales	B	**(135,639)**	**1,258**	**(134,381)**	(131,570)	5,782	(125,788)
Operating costs		**(402,711)**	**-**	**(402,711)**	(101,827)	-	(101,827)
Restructuring costs	C	**-**	**9,299**	**9,299**	-	9,362	9,362
Impairment of publishing titles	D	**-**	**344,326**	**344,326**	-	35,234	35,234
Other	E	**-**	**11,005**	**11,005**	-	3,262	3,262
Total adjustments		**-**	**364,630**	**364,630**	-	47,858	47,858
Total operating costs		**(402,711)**	**364,630**	**(38,081)**	(101,827)	47,858	(53,969)
Total costs		**(538,350)**	**365,888**	**(172,462)**	(233,397)	53,640	(179,757)
EBITDA		**n/a**	**n/a**	**49,045**	n/a	n/a	55,985
Depreciation and amortisation	F	**(7,415)**	**498**	**(6,917)**	(8,369)	1,668	(6,701)
Operating (loss)/profit		**(323,066)**	**365,194**	**42,128**	317	48,967	49,284
Investment income		**73**	**-**	**73**	854	-	854
Net finance expense on pension assets/liabilities	G	**(831)**	**831**	**-**	(2,933)	2,933	-
Fair value gain on borrowings	H	**43,619**	**(43,619)**	**-**	23,918	(23,918)	-
Finance cost	I	**(20,056)**	**487**	**(19,569)**	(19,973)	84	(19,889)
Finance costs		**22,805**	**(42,301)**	**(19,496)**	1,866	(20,901)	(19,035)
Loss)/profit before tax		**(300,261)**	**322,893**	**22,632**	2,183	28,066	30,249
Tax credit/(charge)		**53,371**	**(58,275)**	**(4,904)**	8,538	(14,522)	(5,984)
(Loss)/profit from continuing operations		**(246,890)**	**264,618**	**17,728**	10,721	13,544	24,265
Net profit from discontinued operations		**28**	**-**	**28**	711	-	711
Consolidated (loss)/profit for the period		**(246,862)**	**264,618**	**17,756**	11,432	13,544	24,976

Non-GAAP Measures continued

A Revenue

Revenue adjustment split for 52 weeks ending 31 December 2016

	Statutory £'000s	Closed titles £'000s A1	Digital brands £'000s A2	Motors £'000s A3	Other £'000s A4	Total adjusting £'000s	Adjusted £'000s
Advertising revenue							
Print advertising	**95,674**	**(684)**	-	-	-	**(684)**	**94,990**
Digital advertising	**26,950**	**(60)**	-	**(319)**	-	**(379)**	**26,571**
Total advertising revenue	**122,624**	**(744)**	-	**(319)**	-	**(1,063)**	**121,561**
Non advertising revenue							
Newspaper sales	**79,849**	**(104)**	-	-	-	**(104)**	**79,745**
Contract printing	**12,788**	**(9)**	-	-	-	**(9)**	**12,779**
Other	**7,438**	**(16)**	-	-	-	**(16)**	**7,422**
Total other revenue	**100,075**	**(129)**	-	-	-	**(129)**	**99,946**
Total continuing revenues	**222,699**	**(873)**	-	**(319)**	-	**(1,192)**	**221,507**

Revenue adjustment split for 52 weeks ending 2 January 2016

	Statutory £'000s	Closed titles £'000s A1	Digital brands £'000s A2	Motors £'000s A3	Other £'000s A4	Total adjusting £'000s	Adjusted £'000s
Advertising revenue							
Print advertising	117,598	(2,979)	–	–	–	(2,979)	114,619
Digital advertising	31,423	(104)	(761)	(1,268)	(230)	(2,363)	29,060
Total advertising revenue	149,021	(3,083)	(761)	(1,268)	(230)	(5,342)	143,679
Non-advertising revenue							
Newspaper sales	71,964	(337)	–	-	-	(337)	71,627
Contract printing	12,625	(18)	–	-	–	(18)	12,607
Other	8,473	(118)	-	-	(526)	(644)	7,829
Total other revenue	93,062	(473)	-	-	(526)	(999)	92,063
Total continuing revenues	242,083	(3,556)	(761)	(1,268)	(756)	(6,341)	235,742

A1 Closed titles
As part of the ongoing review of the Group's portfolio, 13 underperforming titles (2015: 17 titles) were closed during the year. Total revenue of £0.9 million (2015: £3.6 million) has been adjusted on a like for like basis. The prior year adjustment has also been restated to include title revenue for those titles closed in 2016.

A2 Digital brands
Revenue in the prior period has been adjusted in respect of DealMonster and Business Directory (2015: £0.6 million and £0.1 million respectively), both of which were closed in the second half of 2015.

A3 Motors
Revenue of £0.3 million (2015: £1.3 million) reflecting the wind down of motors.co.uk has been adjusted for. The contract with motors.co.uk for online motor sales expired at the end of March 2016. The full Motor internet revenue has been removed to provide a like for like position. Any remaining click revenue is immaterial and has been excluded.

A4 Other revenue
Included within Other are adjustments in the prior period of Launch fees of £0.2 million recognised upfront on a digital contract and fees associated with the transitional services agreement (TSA) of £0.5 million. Launch fees were initially received on the execution of digital contracts categorised as one-off revenue and has been adjusted for in the prior financial period to represent revenue on a like-for-like basis. TSA fees were received in relation to the disposal of the Group's Irish business to Iconic Newspapers Limited where services were provided by the Group under the TSA for a 12 month period from April 2014.

B Cost of sales

Cost of sales associated with Closed Titles of £1.0 million (2015: £3.8 million), Digital Brands £nil (2015: £0.7 million) and Motors £0.3 million (2015: £1.3 million) have been adjusted for.

C Restructuring costs

Business transformation and restructuring costs have been adjusted for the period of £9.3 million as they are non-core costs. Included in the £9.3 million are business transformation costs of £1.5 million (2015: £1.6 million), portfolio review costs of £1.7 million (2015: £2.3 million) and redundancy costs of £5.6 million (2015: £4.5 million of which £1.3 million related to the streamlining of the digital & marketing functions, £1.7 million related to the sales force transformation, £0.7 million related to redundancies in production and £0.8 million on corporate restructuring) and other restructuring costs of £0.5 million (2015: £1.0 million) which include early lease termination costs, empty property costs, dilapidations and dual-running office costs.

D Impairment of assets

An impairment of £344.3 million (2015: £35.2 million) has been recognised in the period, in relation to publishing titles of £336.9 million (2015: £35.2 million), print presses of £5.5 million (2015: £5.4 million) and property (print sites) of £1.9 million (2015: £nil). £223.9 million of the impairment write-down was charged at the half-year, with a further write-down of £120.4 million booked at the year-end.

E Other costs

Other costs of £11.0 million (2015: £3.3 million) include pension-related costs of £6.0 million (2015: £2.3 million) which are discussed further below, LTIP of £1.8 million (2015: £1.6 million), (loss) on disposal of assets of £0.2 million (2015: gain on disposal of £0.7 million), the i acquisition-related costs of £1.8 million (2015: £ nil), business development costs of £0.6 million (2015: £0.4 million), RCF reset costs of £0.3 million (2015: £ nil) and refinancing costs of £0.2 million (2015: £ nil).

Pension-related costs of £6.0 million (2015: £1.5 million) included the impact of the Portsmouth and Sunderland (P&S) pension equalisation court order of £3.5 million (2015: £ nil) that has been accounted for as a past service cost in the Income Statement with no short term cash impact and related legal costs of £0.6 million (2015: £ nil), pension admin costs of £0.6 million (2015: £0.6 million) and the PPF levy of £0.4 million (2015: £1.2 million) and pension deficit management costs of £0.9 million (2015: £0.6 million).

These items have been adjusted as they are not considered to be related to normal trading conditions.

F Depreciation and amortisation

Includes accelerated depreciation and amortisation of £0.5 million arising as a result of a review of websites held within the Group (2015: £1.7 million included accelerated depreciation and amortisation on the consumer database).

G Net finance expense on pension assets/liabilities

Net pension interest expense of £0.8 million (2015: £2.9 million) required under IAS 19 relating to the net interest on the pension scheme assets and liabilities has been adjusted on the basis that it does not relate to current trading activities (see Note 21).

H Fair value gain on borrowings

Fair value market movement adjustments on external bonds held of £43.6 million (2015: £23.9 million) required under IAS 39 were adjusted for.

I Finance cost

An adjustment of £0.5 million has been made in the current year in relation to unrecoverable VAT on the 2014 refinancing fees. In 2014, refinancing fees totalling £19.9 million were incurred and treated as adjusting items in that period.

Advisers

Solicitors
MacRoberts
Capella
60 York Street
Glasgow
G2 8JX

Ashurst
Broadwalk House
5 Appold Street
London
EC2A 2HA

Auditor
Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Investment Bankers
Rothschild
New Court
St Swithin's Lane
London
EC4N 8AL

Stockbrokers
Panmure Gordon
One New Change
London
EC4M 9AF

Liberum
Ropemaker Place
Level 12
25 Ropemaker Street
London
EC2Y 9LY

Registrars
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

Johnston Press plc
Orchard Brae House
30 Queensferry Road
Edinburgh
EH4 2HS
Tel: 0131 311 7500
Email: enquiries@johnstonpress.co.uk
Company Registration: SC015382

www.johnstonpress.co.uk