Johnston Press plc Annual Report & Accounts 2001

4

CONTENTS

Life is Local

Johnston Press is the only quoted newspaper publishing group in the UK that solely concentrates on the local and regional press.

Operating Profit up **7%**

Like-for-like Advertising Revenues up **2%**

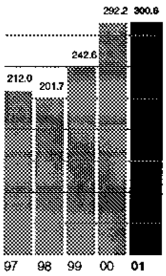
Pre Tax Profit Excluding Exceptionals up **12%**

Headline Earnings Per Share up **13%**

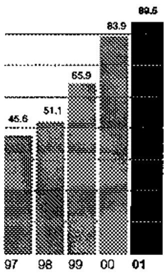
Dividend Per Share up **9%**

Interest Cover **5.5x**

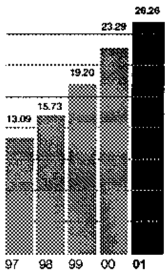
Operating Cash Flow up **5%**



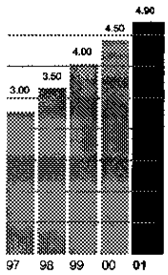
Turnover£m



Operating Profit£m



Headline Earnings per share(p)



Dividend(p)

ADVISORS

Solicitors
MacRoberts
152 Bath Street
Glasgow
G2 4TB

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London
EC2A 2HA

Auditors
Arthur Andersen
Chartered Accountants
and Registered Auditors
Saltire Court
20 Castle Terrace
Edinburgh EH1 2DB

Investment Bankers
Schroder Salomon Smith Barney
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

Principal Bankers
The Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

Principal Clearing Bankers
Barclays Bank plc
1 Church Street
Peterborough
PE1 1QR

Stockbrokers
Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London
EC2N 2DB

Registrars
Computershare Investor Services PLC
P.O. Box 457
Owen House
8 Bankhead
Crossway North
Edinburgh
EH11 0XG

Chairman's Statement

I am delighted to report further profit growth, particularly as 2001 was a year which for many media companies proved to be difficult. Growth of our advertising revenues and particularly for recruitment, slowed as anticipated during the second half but in total remained positive despite deteriorating economic conditions.

The first two months of 2002 continue to be a slow growth environment. However, I am pleased to report trading results in the current year so far have been encouraging.

Trading Results

Operating profit was £89.5 million, a 7% increase on the record figures for 2000. The profit on ordinary activities before non-operating exceptionals and taxation was £73.6 million, compared to £65.5 million in the previous year.

Headline earnings per share, before exceptionals, rose from 23.29p to 26.26p, an increase of 13%. The directors are recommending a final dividend of 3.25p to the Annual General Meeting on 26 April 2002, payable on 17 May 2002. This will make a total ordinary dividend of 4.9p for the year, compared to 4.5p in 2000, an increase of 9%.

Trading Activities

The Group remains closely focussed on its core activity of local newspaper publishing and continues to invest heavily in new equipment, systems and training to ensure that we remain at the forefront of the industry in terms of business efficiency and the quality of our numerous newspaper titles.

This commitment is particularly evident in our printing activities where we are nearing the completion of a three year £40 million investment programme to equip our pressrooms with the colour capacity and modern facilities required to meet the increasing demands of our advertisers and readers.

It is particularly pleasing to report on the company's new media strategy, with our print publications now being complemented and enhanced by nearly 100 websites. We have captured the commercial benefits of on-line trading at a very modest cost. In retrospect, we may count ourselves fortunate that we debated and formulated our internet strategy in the cool air of Edinburgh as opposed to the more febrile environment in other parts of the world.

Acquisitions
During the year, we acquired titles in Lincolnshire and East Glasgow and a small travel database and guidebook publishing company, Days Out UK. In July we announced an agreement to acquire eight free newspapers in the East Midlands from Trinity Mirror plc. Following referral of the proposed deal to the Competition Commission, eight months later we are still awaiting a decision from the Secretary of State for the Department of Trade and Industry on the transfer of these titles. The extensive and lengthy scrutiny to which this very modest transaction has been subjected seems at total variance with the expressed deregulatory intentions of the Government as outlined in their recent consultation paper on Media Ownership.

At the end of October 2001, we received a one-year extension to the consent from the Secretary of State to acquire the newspaper titles of Regional Independent Media plc, which mainly circulate in Lancashire and Yorkshire.

We remain committed to a strategy which focuses on the UK regional press. We believe that we are well placed to take advantage of the opportunities which we expect to arise from further ownership changes and the inevitable trend towards further industry consolidation.

Board Changes
This is my first statement as Non-Executive Chairman of Johnston Press plc. On 27 April 2001, having reached his 65th birthday, Freddy Johnston stepped down after 28 years as Chairman. Under his leadership, the company has grown from a small family business based in Falkirk with a turnover of £100,000 and four titles to a highly profitable publicly quoted company with a turnover of £301 million and almost two hundred titles. His years at the helm of Johnston Press represent an exceptional achievement.

Freddy had planned his succession carefully and I want to thank him for the coaching, guidance and counsel he has given me during the transition. In building Johnston Press, Freddy has demonstrated time and again how to be bold without being foolhardy and how to be prudent without being mean. The Board is delighted Freddy has agreed to stay on as a non-executive director and I am pleased to say that if there is any back seat driving it is being done so subtly, I cannot detect the hand on the wheel.

On 16 July 2001, after 27 years with the company, Marco Chiappelli retired as Finance Director. He was replaced by Stuart Paterson, aged 44, who joined the Board on 1 June 2001 having previously been Finance Director of Aggreko plc. I am delighted to report that the transition from Marco to Stuart has been extremely smooth and successful. Again a process planned and managed by Marco himself.

Marco joined the company in 1974 and he was appointed its first Finance Director in 1980. He played a vital and central role in the growth of what was a small family business into a substantial public company. Throughout his career with Johnston Press, Marco has displayed great commercial acumen, a remarkable grasp of the company's detailed operations and a very considerable charm. The Board joins me in thanking him for his immense contribution during his time with the company and wishing him a long and happy retirement.

Prospects
The current year for Johnston Press has begun encouragingly and despite the present mood of economic uncertainty, early trading results have been ahead of expectations. The modest rate of advertising revenue growth seen in the second half of 2001 has continued into the early weeks of 2002.

Costs remain closely controlled throughout the Group and we will be assisted in the current year by a significant reduction in the price of newsprint, our largest purchase item.

Forecasting with confidence in the current market circumstances is inevitably more difficult than it has been for some time. However, given our encouraging start to the new trading year, our current expectations are for 2002 to be another satisfactory year.

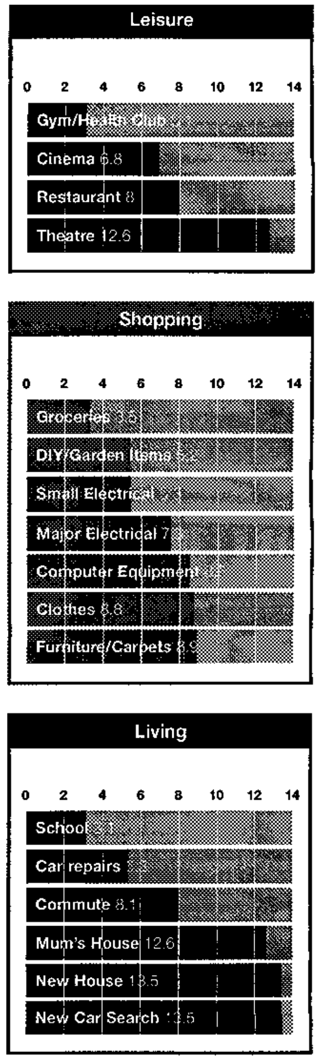
Roger Parry
Chairman

12 March 2002

Johnston Press publish over **6 million** local newspapers for **4.5 million** homes with a readership over **7 million** people every week.

"life is local has always been our philosophy"

Average distances normally travelled for various purposes.*



* Source: 'Renaissance of regional nations © Future Foundation'

75% of shoppers utilise retail outlets
less than 10 miles from home*

Retail display advertising represents **over 30%** of the Group's annual advertising revenue.

95% of people travel
less than 30 miles from home
to buy a used car.*

Across the Group
over 60,000 cars
are advertised
weekly

* Source: 'Renaissance of regional nations © Future Foundation' and Consumers Choice 3 and 4

*Over 70% of people take less than 45 minutes to travel to work.**

The Group's titles carry **over 20,000** job advertisements every week.

* Source: 'Renaissance of regional nations © Future Foundation' and Consumers Choice 3 and 4

Motors advertising represents 14% of the Group's annual advertising revenue amounting to £32 million.

Recruitment advertising grew by 7% in 2001 compared to 2000.

Over 70% of home movers relocate within a ten mile radius*

* Source: 'Renaissance of regional nations © Future Foundation' and Consumers Choice 3 and 4

15,000 homes are advertised each week in the Group's property sections.

Property advertising remained healthy throughout 2001 and finished the year strongly.

Other classified advertising categories showed improved growth as the year progressed.

*Over 70% spend their lives within a ten mile radius of their birth place**

Over 10,000 births, deaths and marriages are announced in Group titles each week.

* Source: 'Renaissance of regional nations © Future Foundation' and Consumers Choice 3 and 4

Chief Executive's Review

Trading performance in 2001 surpassed expectations, making it another very successful year for Johnston Press. Advertising revenue growth remained positive in both halves of the year, defying the gloomier predictions which accompanied the progressive economic slowdown and the predictable loss of confidence following the terrorist attacks in New York and Washington. The impact of the significant rise in newsprint prices was substantially mitigated whilst other costs remained well controlled. Circulations of our weekly titles continued to grow and greater emphasis has been placed on measures to stem the decline of our evening sale. These will be assisted by the achievement of more reliable print times as we near completion of the major programme of press upgrades. Our new media activities made a modest contribution to profit and are being continually developed and enhanced. Three small acquisitions made during 2001 have been successfully integrated and are performing to expectations.

Industry Overview

The local and regional press comprises numerous local publishing businesses operating in a multiplicity of discrete local geographic markets throughout the United Kingdom. The theme 'Life is Local' reflected in these accounts provides the underlying philosophy of our business and the focus of the newspapers which we publish. It reflects the fact that people's lives are concentrated in the area close to where they live, whether as consumers, for their work and leisure or for their social needs.

The industry employs an unparalleled local journalistic resource which provides a powerful voice for the interests, concerns and aspirations of local communities. The local newspaper, be it daily or weekly, paid or free is a vital part of the fabric of community life. Against this background, Johnston Press is committed to continued investment in strong editorial content within a framework in which the editor has the freedom to edit without interference from general management. This commitment is underpinned by an overriding commercial imperative which makes it essential to publish newspapers which attract readers and in turn provide an effective platform for advertisers to reach their target audience. Healthy circulations are essential to the long term success of the local and regional press and for Johnston Press, the achievement of this remains one of our highest priorities.

The local and regional press remains well placed in its local markets despite the competitive threats posed by alternative media. This is based on strong newspaper brands and continued investment in all aspects of the business including, for example, enhanced colour printing capability, an area in which Johnston Press has spent heavily in recent years. In common with the industry in general, we have also launched complementary publications such as local lifestyle magazines and directories in order to provide advertisers with a greater range of targeted advertising options and to meet the competitive challenges. And importantly, as are other publishers, Johnston Press is committing continued investment to the development of a strong internet presence which extends and complements the publishing platform provided by our newspapers. The impact of the internet will undoubtedly grow but the local and regional press, with its powerful local presence, is well placed to benefit from the complementary opportunities which this will bring.

Media Ownership

Industry consolidation and ownership changes have been a feature of the local and regional press over the past few years. This process has seen the share of newspaper ownership in the hands of the five largest publishers increase to 61% but, despite this trend towards greater consolidation, the industry remains highly fragmented in comparison to other media with over 90 separately owned publishers throughout the UK. Whatever the regulatory environment, further ownership changes and industry consolidation appear inevitable and Johnston Press remains determined to play an active part in this process.

The consultative paper on Media Ownership Rules recently published by the Government is encouraging to the extent that it recognises the unnecessary burden of the current ownership regime. The paper acknowledges the need for change, expressed in a desire by the government to be deregulatory in its approach and to consider a "lighter touch" in respect of newspaper mergers. Johnston Press is playing an active part in this consultation process through our trade organisation, the Newspaper Society, and subscribes to the view that the current regime should be abolished, leaving newspaper mergers subject to the general merger regime and competition law.

Growth Strategy

Acquisitive growth coupled with continued investment in the organic development of our local newspaper publishing businesses is central to the ongoing strategy of Johnston Press. Our focus remains firmly fixed on local newspaper and digital publishing together with related printing activities. Our objective is to be the leading publisher of local newspapers with locally focussed websites in all of the markets in which we are present, a situation which already prevails in the vast majority of our publishing areas. Our approach to acquisitions is to seek opportunities to extend our existing areas of operation by adding overlapping and contiguous newspaper titles and to extend into new geographic areas where targets become available which are of sufficient scale to provide a viable platform for further development. Acquisitive growth provides the opportunity for operational efficiencies and rationalisation thereby further improving the underlying performance of both existing and acquired businesses. In addition, we are committed to an ongoing programme of capital investment throughout the Group in order to provide modern and efficient publishing and printing facilities which take advantage of the technological advances available to the industry.

During 2001, we made three small acquisitions. Two of these are newspaper businesses which overlap or are contiguous to existing publishing areas, a free newspaper title in East Glasgow and the Lincolnshire-based titles of Mortons Media Ltd. The third, Days Out UK, is a travel database and guidebook publishing company. All of these businesses have been successfully integrated and are making a positive contribution to Group performance.

Trading Review

Advertising revenue growth on a like-for-like basis was 3.2% in the first half but fell to half that rate at 1.6% in the second period. The contrast was most marked for recruitment advertising with increases of 13.0% and 1.1% respectively though, encouragingly, all other categories performed better in the second half than they did in the first.

There is no doubt that the events of 11 September had an impact on business and consumer confidence but the slowdown in recruitment advertising was evident much earlier in the year with growth slowing from 14.8% in the first quarter to 11.3% in the second, down to 6.6% in the third quarter and with the final quarter seeing a decline of 5.5%. However, against the high levels of growth achieved in 2000 and in deteriorating economic circumstances, this performance was better than expected, in part reflecting the fact that in many of our markets unemployment levels remain very low. The early weeks of 2002 have seen no further deterioration from our experience in the fourth quarter.

As mentioned earlier, the relative performance of all other categories was better in the second half and detailed figures are given in the Financial Review. Property advertising remained healthy throughout the year and finished strongly as estate agents maintained advertising for longer than normal in the run-up to Christmas. Whilst motors advertising was down on the previous year throughout the 12 months, the deficit reduced in the second half and particularly in the last quarter when the comparative figures also reflected the reduction in Ford advertising following their decision to partially switch spend to other media in late 2000. Other classifieds showed improved growth as the year progressed. Display advertising also strengthened in the second half, assisted by improved staff retention following actions taken to reduce sales staff turnover as well as a greater focus on this category to make up for weakening recruitment advertising revenues.

Operating margins for the Group were once again ahead of the previous year by one percentage point to 30% on a like-for-like basis. On a comparable basis, every one of our publishing divisions succeeded in increasing operating profit over its 2000 results, a creditable performance which owed much to good cost control disciplines in a market which offered less help than the previous year. We also continued to reap the benefits of earlier acquisitions with the performance of the ex-Portsmouth and Sunderland businesses continuing ahead of expectations.

Publishing

Yet again the Scottish businesses performed well with a further improvement in profitability. Behind this overall result, Johnston (Falkirk) had an excellent year, assisted by strong national advertising growth on the back of a new retail park development. Conversely, the marketplace in Fife was particularly difficult with falling advertising revenues being compensated by tight cost controls. The Tweeddale Press made further progress, building on an excellent first year with the Group and despite its markets being adversely affected by Foot and Mouth disease. During the year, we closed the press in Berwick and transferred printing to other Group presses. The Isle of Man suffered particularly badly as a result of controls to avoid the spread of Foot and Mouth disease to the island including the cancellation of the TT Races. Despite this, the company performed exceptionally well, with tight cost controls more than off-setting the resultant revenue shortfalls.

In its second full year with the Group, Northeast Press, the northern part of Portsmouth & Sunderland Newspapers, continued to face a challenging market. They were helped by strong growth in recruitment advertising throughout the year, although from a low base, and an increase in display advertising following an improvement in sales disciplines. Cost controls remained good and during the year the management team was strengthened with several new key appointments.

The four companies which comprise the North of England division also made positive progress benefiting from continued growth in recruitment advertising. There was a modest improvement in local market conditions in Halifax, after a very difficult year in 2000. Yorkshire Weekly Newspapers in Wakefield had an excellent year with strong profit growth and another increase in operating margins. Doncaster-based South Yorkshire Newspapers benefited from the strengthening of its principal free newspaper, the Doncaster Advertiser and the re-launch of the Doncaster Courier as a "shopper". It was also good to see the continued progress of Yorkshire Regional Newspapers where we now have a settled management team after a number of earlier changes.

One of the best performances of the year came from the North Midlands Division which benefited from strong revenue growth and well controlled costs. As in Doncaster, a re-positioning of the free newspapers in Chesterfield helped to drive performance. North Notts Newspapers benefited from the full realisation of synergies in Worksop following the acquisition of titles from Southnews in 2000.

For the East Midlands Division, 2001 was a more challenging year. Recruitment advertising was barely ahead for East Midlands Newspapers, publisher of the Peterborough Evening Telegraph, although the company did enjoy substantial growth in property advertising on the back of a buoyant new house building market. It was a year of considerable change for Welland Valley Newspapers following the addition of the Lincolnshire-based titles acquired from Southnews in 2000 and Mortons Media in 2001. A new organisation structure was introduced for the northern part of the Welland Valley publishing area. The integration of separate weekly paid-for titles in Skegness and Louth, coupled with the launch of a new free newspaper, the Lincolnshire Citizen, across the entire area including the Boston market should bring real benefits in 2002. Anglia Newspapers made further progress and should build on that in the current year having introduced improved cost controls.

The South Midlands Division benefited from particularly strong recruitment advertising growth in 2000 but this was not sustained in 2001, with a flat performance. Against this background, it is creditable that the division improved both operating profit and operating margin. During the year, we made a number of management changes which resulted in the appointment of new managing directors in each of the companies comprising the division with two new appointments in Central Counties Newspapers which has been split in order to facilitate greater focus in two more manageably sized units. Northamptonshire Newspapers launched a new free weekly, Northants on Sunday, which replaced a disappointing mid-week TV Advertiser publication. The Milton Keynes Citizen, published by Premier Newspapers, maintained its excellent record by winning the Newspaper Society's award for the best Free Weekly Newspaper of the Year for the sixth time in the last eight years. It was also especially pleasing to see further progress at Bedfordshire Newspapers, which having been loss-making when acquired with Emap's Newspaper interests in 1996, is now performing close to overall Group average margins.

The South of England division had another excellent year with Portsmouth Publishing building further on its strong performance in 2000. The re-organisation of our south coast activities also required a number of new management appointments and has produced the expected cost and market benefits.
T R Beckett, based in Eastbourne, produced an excellent performance and, despite operating in some of the most competitive of our south coast markets, Sussex Newspapers also made further progress.

New Media

During the year we continued to develop and grow our new media interests. We now have almost 100 websites operating alongside our newspaper publishing activities, meaning that in virtually all of our markets we have a dual publishing base. In 2001, we re-launched our websites based on an internally designed platform utilising new database driven technology. This has provided the local publishing companies with greatly increased control over design and content permitting improved tailoring to local needs. We have invested in a new database throughout the Group to facilitate the population of our property sites with houses advertised in our newspapers as well as the general inventories of estate agents. A template for community sites which reside within our local websites is enabling local community interest groups to build their own mini-sites and we concluded a partnership agreement with Worldpay for an e-commerce solution.

In commercial terms, our internet-based activities made a modest contribution in 2001 with revenues of £2.6 million against costs of £2.1 million. The bulk of our revenues come from classified advertisers paying additional charges to advertise on our websites. The costs represent the marginal costs associated with this activity. Around the Group, efforts are being made to improve selling techniques in order to accelerate the growth of our on-line revenues. Our new media activities are now unquestionably an integral part of our publishing portfolio and our strategy of providing the market leading locally focussed website in our publishing areas is well understood and a key element in local management objectives.

Circulations

After a further modest increase of 0.2% in the period July to December 2001, we have now achieved weekly circulation growth for five consecutive years. With 91 weekly paid-for titles, circulating an average 1.2 million copies per week, these represent a major element in our publishing mix and this record of growth demonstrates the considerable strength of our newspapers in their many local markets. These titles are generally market leaders, and are usually supported by a free newspaper of which we publish 88, distributing over 3 million copies per week. By comparison, we publish 9 evening titles with a total daily sale just short of 300,000 copies. In part due to a continued reduction in bulk sales, which now account for only 1.9% of the total sale, we have seen evening circulations decline by 2.8% in the second half. Efforts to address the challenge of the evening sale are taking an even higher priority with good practice and local successes being routinely shared across the Group. Coupled with the benefit of more reliable printing times as we near completion of the major press development programme, there is confidence that performances can be improved.

Throughout the Group there have been a number of noteworthy editorial campaigns. The most renowned by far is the successful campaign to overturn the wrongful conviction of Stephen Downing for murder and for which he had spent over 27 years in prison. The campaign has been covered extensively throughout the last 7 years by the Matlock Mercury under its former editor, Don Hale, whose efforts have now been internationally recognised. Though lower profile, many other excellent campaigns have been waged through the pages of our numerous titles. Long running battles against NHS cuts and hospital closures have met with considerable success in many locations from Falkirk in Scotland to Haywards Heath in Sussex. In Rugby such a campaign has continued since the early 1990's with great vigour including a successfully defended complaint against its coverage to the Press Complaints Commission. In many of our newspapers we have taken up public concerns about car parking, road schemes and bus services. Other campaigns around the Group have dealt with issues including drugs, disabled services, illegal dumping and security. It was the Luton Herald & Post which first brought to light the tragic case of Diane Pretty who sought assisted suicide without fear of prosecution.

Numerous successful appeals have been run in support of a wide range of good causes. The Peterborough Evening Telegraph's "Save the Cathedral" campaign played a major role in reaching a £7.3 million restoration target after damage by fire. Other appeals have successfully supported Macmillan Cancer Care Units, raised money for hospital equipment and promoted deserving individual cases such as the Spalding Guardian appeal for Natalie Broome, an eight year old suffering from cystic hygroma, a rare medical condition which required expensive surgery in the USA. A number of companies also further cemented their strong community relationships with positive editorial campaigns of which 'Pride in Bedford' and 'We Can Do It' (Portsmouth) are just two examples.

Printing

2001 was a challenging year for the Printing Division with major press development projects being undertaken at Northampton, Peterborough and Portsmouth, as well as more modest programmes at a number of our smaller press rooms. Of the total capital expenditure of £26 million in the year, the bulk was in respect of these projects which were aimed at providing increased colour capability, additional inserting capacity and modernisation of our facilities. At Peterborough and Northampton the work involved major upgrades and extensions of existing presses which had to continue printing throughout the process with some resulting disruption of press times. Both projects are now virtually complete. At Peterborough and Portsmouth we are also installing two new Goss HT 70 single width presses capable of printing 128 and 96 pages of back to back colour respectively. Both presses will be operational during the first half of 2002 and will add greatly to the Group's capability. The new Portsmouth press will enable us to close the outdated pressroom in Burgess Hill, Sussex, in March 2002 with an exceptional cost of £5 million which was taken into the 2001 results. This will result in considerable benefits to the affected publishers and will produce substantial ongoing savings.

Whilst these major projects are nearing completion, we are continuing to improve our printing capability with a planned expenditure of £1.5 million on the introduction of computer-to-plate technology during 2002 at Northampton, Peterborough and Portsmouth.

The planned switch in printing from external contracts to an increased dependence on internal work resulted in turnover decreasing and a reduction in profitability. Nonetheless from a Group perspective, the change is beneficial and the improved capability is already bringing dividends with the return of several Emap contracts which were lost some years ago. We also had to contend with a newsprint price increase of 12%, but successfully mitigated a significant proportion of this, in part by introducing a new reduced standard Group web width and by better control of waste. We will benefit this year from a near reversal of the 2001 price increase on newsprint.

People

The Chairman has already commented on the retirement of Freddy Johnston and his remarkable achievements over his long tenure as the previous Chairman. We are fortunate that he will continue to serve on the Board as a non-executive director. He also remarked on the retirement of Marco Chiappelli, with whom I worked closely over a period of almost eight years. Quite apart from Marco's enormous contribution to the Group over many years, he was an invaluable colleague who was a pleasure to work with. We are fortunate to have found such an excellent successor in Stuart Paterson who has already made a considerable impact in his new role. The appointment of Danny Cammiade as Director of Operations has also greatly strengthened the senior management team and he is also already making an excellent contribution.

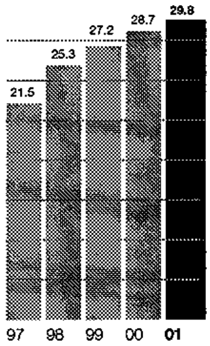
Under the leadership of Malcolm Vickers, Head of Human Resources, we continue to improve our training programmes aimed at developing technical and management competence throughout the Group. Well structured skill-based training is available in all disciplines and we have taken steps to further develop our programmes for management development and succession planning. During the year we made a number of new senior management appointments, largely through internal promotions and we are taking steps to ensure that we develop our own talent at a sufficient rate to meet future anticipated needs. Great strides were made during the year in addressing high staff turnover levels, especially in advertising sales areas and further progress is anticipated during the current year.

The Group's success in 2001 owes a great deal to the continuing dedication and professionalism of our staff for which I thank them.

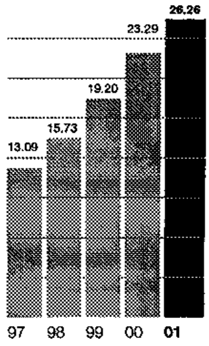
Tim Bowdler

Tim Bowdler
Chief Executive

12 March 2002



Operating Margin%



Headline Earnings per share(p)

Financial Review

Introduction

Despite the uncertainty in most areas of the media sector Johnston Press, a Group focused entirely on the publication of local newspapers, has delivered satisfactory growth in turnover, operating profit, operating margins and earnings per share in 2001.

These results were achieved against a background of increasing newsprint prices, the majority of which will be reversed in 2002, and a slow down in the rate of growth of advertising revenues in the second half of the year. This slow down was driven by recruitment advertising where year-on-year there was a decline in the final quarter.

Financial Review

In comparing the operating profit with 2000, the acquisition of the Glasgow East News in January, the Lincolnshire titles of the Morton's group in February and Days Out UK in December 2001 need to be excluded to get a true like-for-like comparison.

The operating profit on a like-for-like basis can be summarised as follows:

	2001 £'000	2000 £'000
Operating profit before exceptionals	90,710	84,984
Contribution from acquisitions	(1,372)*	(486)+
Like-for-like operating profit	89,338	84,498

+ Four Counties and Lincolnshire Standard Group in July 2000
* Four Counties and Lincolnshire Standard Group in July 2000 plus Mortons, Glasgow East News and Days Out UK in 2001

This shows that the organic growth in the businesses which have been part of the Johnston Press group throughout both years was £4.8 million, an increase of 6%.

Revenues

Advertising revenues on a like-for-like basis (excluding acquisitions as noted above) are as follows:

	2001 £'000	2000 £'000	Increase %
Employment	59,315	55,330	7.2
Property	30,974	29,603	4.6
Motors	30,934	32,471	(4.7)
Other classified	33,191	32,788	1.2
Total classified	154,414	150,192	2.8
Display	68,683	67,600	1.6
Total advertising revenue	223,097	217,792	2.4

The Chief Executive's report on pages 12 to 17 provides a summary of advertising performance by division.

Although the strongest growth was in employment, there was a reducing trend in the year as illustrated below. All other categories improved their relative performance from the first half to the second half. A breakdown of the advertising revenues, again on a like-for-like basis, for the two half years is as follows:

	Half year to 31 December			Half year to 30 June		
	2001 £'000	2000 £'000	Increase %	2001 £'000	2000 £'000	Increase %
Employment	27,446	27,138	1.1	31,869	28,192	13.0
Property	14,558	13,729	6.0	16,416	15,874	3.4
Motors	14,873	15,479	(3.9)	16,061	16,992	(5.5)
Other classified	16,513	16,136	2.3	16,678	16,652	0.2
	73,390	72,482	1.3	81,024	77,710	4.3
Display	34,772	33,926	2.5	33,911	33,674	0.7
	108,162	106,408	1.6	114,935	111,384	3.2

Other Revenues
Circulation revenue has increased by 1% on a like-for-like basis over 2000 as the impact of increases in the circulation of our weekly titles, and a limited number of cover price increases, have more than offset the impact of reduced circulations of our evening titles.

Contract printing revenues decreased by 16% as the Group continued with its strategy of rationalising the printing division and replacing third party contracts with Group work previously printed externally. This strategy was responsible for the vast majority of the £26 million of capital expenditure in the year. Capital investment in 2001 includes the second year of a three-year plan which will amount to some £40 million and result in significant modernisation and increased colour capability throughout the Printing Division. The strategy has also allowed us to close the printing operation at Burgess Hill, which resulted in the exceptional cost of £5 million announced last year. This will result in full year savings of £1.3 million in 2003 onwards.

Margins
The operating margin in the business increased in the year by 1.1% to 29.8%. This was achieved through continued attention to the cost structure of the business and driving operational efficiencies.

Cash Flow/Net Debt
Operating cash flows continue to be strong. This is evidenced by the reduction in net debt in the year of £22 million despite 2001 having the highest levels of capital expenditure in the history of Johnston Press. The net debt provision at 31 December was £237 million and interest cover was 5.5 times.

Financial Investments
As the Group's entire operations are within the United Kingdom, the main financial risk is that associated with interest rates. The Group's policy is to arrange its borrowings at the lowest possible cost, with covenants that it can operate comfortably within. There is no predetermined policy on what percentage of its debt should be hedged but the position is kept under continuous review throughout the year and is based on the Group's view of how interest rates will move. As at 31 December 2001, £153 million of debt is hedged at an effective rate, including the margin, of 5.8% for an average period of two years.

Pension Fund
The Group had an actuarial valuation of the pension fund performed at 31 December 2000 which incorporated updated assumptions on mortality rates, wage inflation, market returns, and discount rates consistent with the requirements of FRS 17. This identified a deficit of £2,175K which the company has agreed to fund and is accrued within the financial statements. It also recommended an increased contribution rate to meet ongoing and future benefits. These rates will be implemented from 1 April 2002. The Group's defined benefit scheme is closed to new members.

New Accounting Standards
As mentioned above, the Group had a full actuarial valuation of the defined benefit pension scheme performed at 31 December 2000 on a basis consistent with FRS 17. This valuation has been updated to 31 December 2001 and the disclosures relevant to FRS 17 are contained in note 25. The Group's view is that the deficit which has arisen in the course of 2001 is a short-term fluctuation and has not sought to address this through either increased contributions or one-off payments.

The other new accounting standard effective this year is FRS 19 with regard to deferred tax. This standard has a minimal impact on the Group, as in recent years it has provided fully for deferred tax. The effect is a prior year adjustment of £1.7 million in relation to historic unprovided timing differences.

Environmental and Social Responsibility
In closing, I would like to draw your attention to the Group's policy on the above matters, which is summarised on page 25 under Corporate Governance. The Group is keenly aware of its responsibilities in this area and the need to communicate this to shareholders, employees and other interested parties. The Group will continue to meet these obligations in a cost-effective manner.

Stuart Paterson
Financial Director

12 March 2002

Management Committee

Management Committee pictured left to right: *Danny Cammiade, Director of Operations; Malcolm Vickers, Head of Human Resources; Richard Cooper, Company Secretary; Tim Bowdler, Chief Executive and Stuart Paterson, Finance Director.*

Board of Directors

R G Parry

T J Bowdler

S R Paterson

H C M Johnston

Sir Harry Roche

Lord Gordon of Strathblane

P E B Cawdron

Secretary, P R Cooper

F P M Johnston

R G Parry, BSc, MLitt, Non-Executive Chairman (48)
Joined the Board in 1997. Chairman and Chief Executive of Clear Channel Int. Ltd. Non-Executive Director of Jazz FM plc, iTouch plc and Future Network plc.
rparry@johnstonpress.co.uk

T J Bowdler, BSc, MBA Chief Executive (54)
Joined the Board in 1994. Former Managing Director of Cape Architectural & Building Products Ltd, a division of Cape plc. Non-Executive Director of Associated British Ports Holdings plc, The Press Association Ltd and The Press Standards Board of Finance. Vice President of the Newspaper Society.
tbowdler@johnstonpress.co.uk

S R Paterson, MA, CA, Finance Director (44)
Joined the Board in 2001. Former Finance Director at Aggreko plc.
Non -Executive Director of Mirago plc.
spaterson@johnstonpress.co.uk

H C M Johnston, Non-Executive (55)
Joined the Board in 1971. Former Managing Director Johnston (Falkirk) Ltd.
enquiries@johnstonpress.co.uk

Sir Harry Roche, Non-Executive Deputy Chairman (68)
Joined the Board in 1993. Chairman of Press Association Ltd. Chairman of Jazz FM plc.
enquiries@johnstonpress.co.uk

Lord Gordon of Strathblane, CBE, MA Non-Executive (65)
Joined the Board in 1996. Chairman of Scottish Radio Holdings plc, previously its Chief Executive. Former Chairman of the Scottish Tourist Board and a Trustee of the National Galleries of Scotland.
enquiries@johnstonpress.co.uk

P E B Cawdron, Non-Executive (58)
Joined the Board in 1998. Former Group Strategy Development Director of Grand Metropolitan PLC. Non-Executive Director of a number of quoted companies, including Compass Group plc, ARM Holdings plc, Capita Group plc and Non Executive Chairman of Capital Radio plc.
enquiries@johnstonpress.co.uk

F P M Johnston, CBE, MA, Non-Executive (66)
Former Managing Director and Chairman of the Group. Non-Executive Director of the Scottish Mortgage Trust plc and Lloyds TSB Scotland plc.
fred.johnston@johnstonpress.co.uk

Secretary P R Cooper, ACA
Company Secretary (45)
Chartered Accountant. Former Finance Director of Yorkshire Weekly Newspaper Group Limited. Appointed Company Secretary 1996.
rcooper@johnstonpress.co.uk

Corporate Governance

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

Statement of compliance with The Code of Best Practice
The Company has complied throughout the year with the Provisions of the Code of Best Practice set out in section 1 of the Combined Code except for non compliance with Code Provision B.1.7 which states that service contracts for Executive Directors should be reduced to one year or less. It is the Board's view that the two-year service contracts of the Executive Directors in place in 1999 are appropriate and fully justified. Service contracts for Executive Directors appointed from 2000 are for one year.

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

Board Effectiveness
The Board considers that it has shown its commitment to leading and controlling the Company by meeting seven times in the year, but can meet when necessary for any matters which may arise. It also arranges for its Non-Executive Directors to visit the Group's principal locations at certain intervals to discuss the operations with local management.

Division of responsibilities between Chairman and Chief Executive
The Board acknowledges the division of responsibilities for running the Board and managing the Company's business with the appointment of Mr R G Parry as Non-Executive Chairman, Sir Harry Roche as senior independent director and Mr T J Bowdler as the Company's Chief Executive.

Board Balance
Code Provision A.3.2 requires that the majority of Non-Executive Directors should be independent. Of the Company's current eight Directors, two are Executive and the remainder Non-Executive, of whom four are regarded as independent. Those who are regarded as non-independent are Mr F P M Johnston and Mr H C M Johnston who have significant shareholdings in the Company.

However, it is the view of the Board that such circumstances do not lessen the value of the contributions made by these two Non-Executive Directors.

The Company over the past few years has increased the number of independent Non-Executive Directors from one to four while the number of non-independent Non-Executives has reduced to two. The Company has a Nomination Committee to make recommendations on the appointment of further independent Non-Executive Directors.

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

Re-election
Non-Executive Directors do not have service contracts but have letters of appointment. They are appointed for an initial term of three years and at the end of that period, their re-appointment for a further period of three years is formally considered by the Board.

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

Corporate Governance Continued

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

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

Internal Control
The Directors are responsible for the Group's system of internal control and for regularly reviewing its effectiveness. Such a system cannot provide absolute assurance that the risk of failure in achieving business objectives will be eliminated, but the system has been designed to meet the Group's particular needs and the risks to which it is exposed.

There is a continuous process of identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the year under review and up to the date of approval of the annual report and accounts. This process is well documented and regularly reviewed. The key elements of the process during the period under review have been:

- Formal Board reporting on a monthly basis by the Chief Executive and Finance Director on the results of the operation and on any emerging risks and issues. The monthly management accounts break down the results of the Group's operation by each company's performance and 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 local experienced senior managers and the Group has a clear organisational structure which includes appropriate delegation of authority. The Executive Directors ensure that regular contact is made with all senior managers. During the year, a Group Management Committee was formed to review the financial and operational issues and risks facing the Group. This comprises the Executive Directors, the Director of Operations, the Company Secretary and the Head of Human Resources.

- Formal Board approval for capital expenditure over £250K and for other investment decisions. Approval is also required for all acquisitions and disposals.

- Formal Board approval of the annual budget for each financial year. These are detailed and comprehensive budgets, covering each operating business.

- Review by the Audit Committee on a six-monthly basis of the work performed by the Internal Financial Control Committee (IFCC). The IFCC is chaired by the Group Financial Controller who is responsible for the conduct of control reviews in selected locations by members of the committee who are independent of the location visited. The IFCC is also responsible for the review of detailed financial control checklists submitted by each operation to head office monthly.

- Review by the Audit Committee of the results of the annual audit and review of the half-year results by the Group's external auditors. These reviews include discussion of any control weaknesses or internal issues identified by the auditors.

- The conduct of risk assessment involving senior management of all the Group's businesses in addition to the Group's Executive Directors. The results of these assessments are summarised and results reported to the main Board Directors. These risk assessment sessions will continue at each operation and will continue to evaluate the risks faced.

In addition, the head office of the Group has been given the responsibility to set policies, procedures and standards as detailed in the Group's policy guidelines which include:

- Finance
- Cash/treasury controls
- Trading
- Customer service, information and technology
- Property management
- Human resources including pension administration, health and safety and environmental issues
- Legal and regulatory compliance

At its meeting on 25 January 2002, the Board considered the means by which it monitors internal controls and concluded that it was satisfied with its process for monitoring internal controls and that this process complies with the recommendations of the Internal Control Guidance for Directors in the Combined Code.

The Directors also reviewed the need for an internal audit department and concluded that they did not believe it necessary for the Group to maintain such a department.

Social Responsibility

Business Ethics

The main Board of Johnston Press has made a clear commitment to operating all its business activities with the highest standard of business ethics and integrity. The Group is keen to uphold its reputation of being a fair and reasonable employer. It also acknowledges, and will do its utmost to fulfil, its responsibilities to the communities it serves, its customers, its suppliers and the environment. The Group's policy towards its employees is summarised in the Directors' Report on page 31.

Board Responsibility

The Board has delegated the day-to-day responsibility of all matters related to Corporate Governance and social issues to the Executive Directors. They will be assisted by the Company Secretary who is the usual first point of contact on these issues.

All recruitment, employment and training policies are delegated to the Head of Human Resources who is responsible to the Chief Executive.

Relationships with customers/suppliers and the implementation of community involvement is in the hands of the local managing director of each operation.

Community

The great strength of the Group stems from its extensive local relationships in the numerous communities serviced by its newspaper titles. The core competence of Johnston Press is meeting the needs of advertisers and readers in focused markets. Local newspapers are the key information source for many people and the key philosophy of the Group is 'Life is Local'. All the management and many of its staff in its operations are heavily committed in supporting the local community.

Customer Service

The Group is committed to providing the highest standard of service to all its customers. Each operation has staff appointed to respond to all customer enquiries. There are strict procedures for resolving customer complaints or queries regarding service and these are carefully monitored at management level.

Environmental Policy

The Group acknowledges that environmental protection is one of its business responsibilities. It aims for a continuous improvement in its environmental performance and to comply with all relevant regulations.

It considers the effective management of the environmental impacts of its operations to be an implicit requirement for adherence to the Corporate Governance Combined Code.

As part of its proactive risk management strategy, Johnston Press engaged environmental risk consultants to conduct a strategic environmental review, based on a representative sample of sites. Following this review, a scoping exercise was conducted which has resulted in a programme for the implementation of an Environmental Management System throughout the Group. This programme has continued during 2001 and will continue throughout 2002 with the intention of achieving a consistent quality standard throughout the Group.

The Group's environmental policy:

- Takes account of the need for continual improvement, prevention of pollution and the meeting of legal requirements.
- Provides guidance when setting environmental objectives, targets and performance indicators.
- Is relevant to the activities of Johnston Press.
- With respect to any future aspirations to acquire ISO14001 certification, the policy has been approved by top management and an employee has been identified and given the authority to oversee and implement the policy.

Newsprint

Part of the Industry's agreement with Government, through the Newspaper Society, is a commitment to increase the target for recycled newsprint. In 2000, the most recently available figures, recycled paper made up 60.3% of the raw material of UK newspapers. The target is for this percentage to increase.

Corporate Governance Continued

Waste Packaging

The Group adheres to the requirements of the Producer Responsibility Obligations (Packaging Waste) Regulations 1997. Strict procedures have been established to ensure compliance and the managing director of every company is responsible for ensuring that they are followed. Each company is responsible for keeping accurate records of tonnages used of each type of packaging, split between Group and contract titles. Companies that have no printing facility are only required to account for any repackaging done prior to delivery to the customer.

Systems are in operation to ensure that verification takes place on a random basis each year.

Health and Safety

The Group regards the promotion of health, safety and welfare measures as an essential part of management and employer responsibilities. Good health and safety management is fundamental to good business performance.

Full detailed health and safety policies have been adopted within each of the Group's operations, with named individuals responsible for the implementation and adherence to that policy. This policy is reviewed and updated for any changes in legislation. All employees are made aware of the policy and their responsibility to ensure its efficient operation.

Health and safety committees meet on a regular basis in all its major centres, with an appointed officer to ensure any issues discussed are actioned as appropriate. Training is made available to these committees to ensure awareness and understanding.

The Group has appointed external consultants to inspect its operations on a rota basis to report on the local implementation of its Health and Safety Policy. This report is forwarded to the Group's head office as well as the individual company.

This same practice also applies to the efficient management of the Group's freehold and leasehold properties ensuring all property risks at each location are identified and minimised.

Directors' Responsibilities

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

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

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are 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.

Audit Committee

The Company has an Audit Committee of three Non-Executive Directors chaired by Sir Harry Roche which also comprises, Mr P E B Cawdron and Mr H C M Johnston who meet twice a year or as necessary.

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

Nomination Committee

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

Remuneration Report

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

The Remuneration Committee
The Committee is chaired by Lord Gordon of Strathblane, an independent Non-Executive Director, and also comprises two other independent Non-Executive Directors, Mr R G Parry and Sir Harry Roche. It meets at least annually and as necessary. The Committee is charged with recommending the remuneration of the Board, employment conditions, changes to the Executive Share Option Schemes and to the Save as you Earn Scheme, and the introduction of any new Schemes.

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

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

The Remuneration Policy provides for:
- Two-year rolling contracts for Executive Directors in place in 1999, thereafter one year.
- A salary review annually which takes into consideration the Group's performance and the overall size and structure of the Group following acquisitions and disposals during the year. The Remuneration Committee also refers to external data which can include professional advice from outside the Company.
- A Performance Related Bonus Scheme which is based on the increase in earnings per share over a target set by the Board (on the recommendation of the Remuneration Committee) before the impact of exceptional items. A bonus is payable on achievement of the target with additional sums payable for performance above target with a cap of 50 per cent of the Executive's earnings for the financial year under review. The Board retains the discretion to recognise performances over and above this arrangement where exceptional circumstances apply.
- Membership of the Johnston Press Pension Scheme or contributions to a personal pension scheme. The Johnston Press Pension Scheme provides for retirement of Executive Directors at age 62, a pension at normal retirement date of two-thirds final pensionable salary subject to Inland Revenue limits and the completion of 20 years service and life cover of four times pensionable salary. The definition of pensionable salary excludes performance related annual bonuses and benefits-in-kind.
- Share Options

Share Option Scheme
The Company operates an Executive Share Option Scheme and details are given in note 27 to the Accounts. Certain former and current Directors have already participated in the scheme. Following advice from independent consultants, a revised Inland Revenue approved and a new unapproved Executive Share Option Scheme were adopted by shareholders at the last Annual General Meeting held in April 2001.

The Remuneration Committee reviews each grant of options to subsidiary company Executives on the recommendation of the Executive Directors.

These options are only capable of being exercised if the growth in the Group's earnings per share exceeds the growth in the retail price index by between three to five percentage points, depending on the level of the grant, over the average of three years.

Remuneration Report Continued

Pension Scheme

Prior to 31 December 2000 the Group operated a Common Investment Fund (CIF) which held the assets of the final salary pension schemes. The CIF assets were transferred to the Johnston Press Pension Scheme on 1 January 2001. The assets of the pension schemes are totally separate from the assets of the Company and of the Group, and are invested by independent fund managers. A professional independent trustee and member nominated trustees are appointed to each of the pension schemes. A firm of external actuaries and consultants act as advisors. Pension scheme members receive a report from the trustees and a statement of their actuarial benefits each year.

Directors' Remuneration

a) The total amounts for Directors' remuneration and other benefits were as follows:

	2001	2000
	£'000	£'000
Emoluments	**1,069**	1,158
Gains on exercise of share options	**–**	490
Money purchase contributions	**53**	27
	1,122	1,675

b) Directors' Emoluments

	Salary/fees		Taxable benefits		Performance Related Bonus		Total Emoluments	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Chairman								
R G Parry	**58**	22	**–**	–	**–**	–	**58**	22
Executive Directors								
T J Bowdler	**330**	300	**13**	13	**110**	75	**453**	388
S R Paterson	***108***	–	**–**	–	***29***	–	***137***	–
M L A Chiappelli	**172**	235	**12**	12	**17**	59	**201**	306
N B Rudd-Jones	**52**	*226	**13**	7	**–**	27	**65**	260
Non-Executive Directors								
I Dickson	**–**	7	**–**	–	**–**	–	**–**	7
Lord Gordon of Strathblane	**24**	22	**–**	–	**–**	–	**24**	22
H C M Johnston	**24**	22	**–**	–	**–**	–	**24**	22
F P M Johnston	**39**	66	**8**	10	**–**	–	**47**	76
Sir Harry Roche	**36**	33	**–**	–	**–**	–	**36**	33
P E B Cawdron	**24**	22	**–**	–	**–**	–	**24**	22
	867	*955*	**46**	42	***156***	161	**1,069**	1,158

Taxable benefits include car, fuel, telephone and health insurance.
*Includes £93,000 compensation in respect of an investment in a former employer.

c) Pension Benefits

The following Directors had accrued pension benefits under the Group's defined benefit scheme:

	Years of Pensionable Service at 31 December 2001	*Increase in* Accrued Pension during year to 31 December 2001	*Accumulated* Total Accrued Pension at 31 December 2001	Transfer Value of Increase
		£'000	£'000	£'000
T J Bowdler	8	23	144	256
M L A Chiappelli	22	17	150*	1,080
H C M Johnston	12	–	13	–

* Reduced by early retirement factor

With the exception of Mr T J Bowdler, the above Directors were members of the Group Pension Schemes before the introduction of the pensionable salary cap in May 1989. In the case of Mr T J Bowdler, in addition to his membership of the Group defined benefits scheme, other pension arrangements have been put in place through an unapproved funded arrangement based on the independent advice of actuaries. The figures shown for Mr T J Bowdler reflect his total pension benefits. Revised proposals for Mr T J Bowdler's pension benefits have been agreed in which the Group's future contributions will be capped. This is subject to the shareholders approving an award of restricted shares to Mr T J Bowdler at the forthcoming Annual General Meeting.

In addition to the above, the Group paid £31,000 and £22,000 into defined contribution schemes for Mr N B Rudd-Jones and Mr S R Paterson respectively.

On the recommendation of the Remuneration Committee, the Board approved the payment of £290,000 to augment the pension benefits of Mr M L A Chiappelli on his retirement. This amount was accrued in the 2000 accounts.

d) Share Option Schemes

	Number of options				Market	Gains on	Exercise
	At	During the year		At	price	2001	2000
	01.01.01	Granted	Exercised	31.12.01	(p)	(£)	(£)
Executive Share Option Scheme							
T J Bowdler	400,000	134,003	–	534,003		–	490,500
S R Paterson	–	123,745	–	123,745			
M L A Chiappelli	117,391	–	50,000*	67,391			
N B Rudd-Jones	135,593	–	–	–			
Savings Related Scheme							
T J Bowdler	9,583	–	–	9,583			
S R Paterson	–	3,176	–	3,176			

* *Exercised after his resignation as a director.*

The above options for Mr T J Bowdler and Mr S R Paterson are exercisable:

T J Bowdler

9,583	at a price of 180.00p	between 01.09.2002 and 01.03.2003
100,000	at a price of 223.00p	between 22.05.2001 and 22.05.2005
50,000	at a price of 277.50p	between 28.05.2002 and 28.05.2009
50,000	at a price of 295.00p	between 19.05.2003 and 19.05.2010
200,000	at a price of 315.00p	between 27.10.2003 and 27.10.2010
134,003	at a price of 298.50p	between 05.11.2004 and 05.11.2011

S R Paterson

123,745	at a price of 299.00p	between 05.06.2004 and 05.06.2011
3,176	at a price of 305.00p	between 01.11.2004 and 01.05.2005

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

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

On 1 January 2001	338.50p	Highest price during year	379.50p
On 31 December 2001	356.50p	Lowest price during year	239.00p

Directors' Report

Year to 31 December 2001

Principal Activities

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

Review of Business

The results for the year 2001 are set out in the Group Profit and Loss Account on page 34. The Group profit for the year before taxation was £68,546,000 (2000 - £65,457,000) which results in a retained profit transferred to Reserves of £38,573,000 (2000 - £36,933,000). Details of the business activities during the year are set out in the Chief Executive's Review and in the Financial Review.

Dividends

The Directors recommend a final dividend of 3.25p per share making a total dividend of 4.9p per share for the year. Subject to approval by members the final dividend will be paid to those Ordinary Shareholders on the register at 5 April 2002.

Share Capital

Details of Share Capital are shown in note 21.

Fixed Assets

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

Environmental Policy

The Board acknowledges that environmental protection is one of the Company's business responsibilities. It aims for a continuous improvement in the Company's environmental performance and to comply with all relevant regulations. Following an internal audit and an assessment by external advisors, the Group has now put in place a documented environmental policy to monitor performance and to take action where appropriate. Further details of this policy are provided in the Corporate Governance statement.

Donations

Charitable donations amounted to £97,000 (2000 - £87,000). There were no payments for political purposes.

Supplier Payment Policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment, and to abide by the terms of payment. Trade creditors of the Company at 31 December 2001 were equivalent to 19 days purchases, (2000- 20 days) based on the average daily amount invoiced by suppliers during the year.

Directors and their Interests

Under the Company's Articles of Association, Mr R G Parry and Mr T J Bowdler are due to retire by rotation. The Board has decided, however, that each director will retire voluntarily every three years, to the extent that he is not required so to do, with that or greater frequency, under the Articles of Association. It is proposed to phase this in over two years. Accordingly, Sir Harry Roche will retire voluntarily at this year's Annual General Meeting and Mr P E B Cawdron will do so at the Annual General Meeting in 2003. All the Directors retiring at this year's Annual General Meeting, being eligible, offer themselves for re-election. Mr T J Bowdler has a two year service contract.

Mr S R Paterson was appointed a Director on 1 June 2001 and offers himself for re-election at the Annual General Meeting. He has a one year service contract.

Mr N B Rudd-Jones resigned as a director on 21 March 2001 and Mr M L A Chiappelli retired as a Director on 16 July 2001.

Mr F P M Johnston stood down as the Non-Executive Chairman at the last Annual General Meeting. The Board agreed, following the recommendation of the Nomination Committee, to appoint Mr R G Parry as his replacement. Mr F P M Johnston continues as a Non-Executive Director.

The Shareholdings shown below are in all cases held beneficially. Details of share options held by Directors are shown on page 29.

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

Ordinary Shares of 10p each

	31 December 2001	31 December 2000
R G Parry	77,005	49,470
T J Bowdler	124,100	124,100
S R Paterson	5,000	
M L A Chiappelli		1,679,231
F P M Johnston	12,396,790	12,396,790
H C M Johnston	12,200,000	12,200,000
Sir Harry Roche	45,762	45,762
Lord Gordon of Strathblane	33,793	33,793
P E B Cawdron	7,000	7,000

There have been no significant changes in the Directors' Shareholdings since 31 December 2001.

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.

Substantial Shareholdings

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

	No of Ordinary Shares of 10p each
J C M Johnston	6,229,003
The trustees of H C M Johnston's children's trusts	11,200,000
M F Johnston	6,716,956
R T Johnston	6,784,373
CGNU plc and Morley Fund Management Limited	8,067,431
FMR Corp	14,205,102
Barclays Bank PLC	6,262,493

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.

The Group supports the principle of equal opportunities in employment and opposes all forms of unlawful or unfair discrimination on the grounds of race, nationality, 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 within the Group, and to protect the interests of existing members of the staff who are disabled.

The Group is committed to 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.

Directors' Report Continued

Special Business
Three resolutions are set out under Special Business in the notice of the year's Annual General Meeting. The purpose of the first, an Ordinary Resolution, is to approve the implementation of an award of restricted shares to Mr T J Bowdler.

The second, an Ordinary Resolution, is to adopt a revision to the Johnston Press Group 1997 Savings Related Share Option Scheme.

The final item of special business is the Directors' recommendation that shareholders approve the authority of the Company to purchase its own ordinary shares as permitted under its Articles of Association. This resolution will be proposed as a special resolution seeking authority to make such purchases in the market. The Directors have no immediate intention of using such authority and would do so only when they consider it to be in the best interests of shareholders generally and an improvement in earnings per share would result. Any ordinary shares purchased under this authority will be cancelled and the number of ordinary shares in issue will be reduced accordingly.

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, reflecting the requirements of the Companies Act 1985 and the London Stock Exchange. The Directors intend to seek renewal of this power at subsequent Annual General Meetings.

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

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

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

By Order of the Board
P R Cooper ACA
Secretary
53 Manor Place
Edinburgh EH3 7EG
12 March 2002

Independent Auditors' Report

To the Shareholders of Johnston Press plc:
We have audited the financial statements of Johnston Press plc for the year ended 31 December 2001 which comprise the Profit and Loss account, Balance sheets, Cash flow statement, Statement of total recognised gains and losses and the related notes set out on pages 34 to 58. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

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

We read the other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report, Chairman's statement, Chief Executive's Review, Financial Review, Corporate Governance Statement and Five-Year Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

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

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 December 2001 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

12 March 2002

Group Profit and Loss Account

Year to 31 December 2001	Notes	2001 Before exceptional items £'000	2001 Exceptional items £'000	2001 Total £'000	2000 Total £'000
Turnover					
Existing operations		298,932	–	298,932	292,174
Acquisitions		1,683	–	1,683	–
Total turnover - continuing operations	2	300,615	–	300,615	292,174
Cost of sales	3	(152,481)	–	(152,481)	(150,643)
Gross profit		148,134	–	148,134	141,531
Other operating expenses (net)	3	(57,424)	(1,249)	(58,673)	(57,635)
Operating profit	4	90,710	(1,249)	89,461	83,896
Existing operations		90,489	(1,134)	89,355	83,896
Acquisitions		221	(115)	106	–
Operating profit - continuing operations		90,710	(1,249)	89,461	83,896
Share of associates' operating profit		397	–	397	380
		91,107	(1,249)	89,858	84,276
Exceptional items	5	–	(5,014)	(5,014)	–
Profit on ordinary activities before interest and taxation		91,107	(6,263)	84,844	84,276
Net interest	6	(16,298)	–	(16,298)	(18,819)
Profit on ordinary activities before taxation		74,809	(6,263)	68,546	65,457
Taxation on profit on ordinary activities	9	(21,837)	1,879	(19,958)	(19,322)
Profit for the financial year		52,972	(4,384)	48,588	46,135
Dividends on equity and non-equity shares	10	(10,015)	–	(10,015)	(9,202)
Retained profit for year	22a	42,957	(4,384)	38,573	36,933
Earnings per share	11				
Headline		26.26p			23.29p
Headline diluted		26.12p			23.14p
Basic				24.08p	22.91p
Diluted				23.95p	22.76p

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

Group Statement of Total Recognised Gains and Losses

Year to 31 December 2001	Notes	2001 £'000	2000 £'000
Profit for the financial year		48,588	46,135
Revaluation deficit	14	(33)	(77)
Total recognised gains and losses for the financial year		48,555	46,058
Prior year adjustment	22b	(1,736)	–
Total gains and losses recognised since last annual report and financial statements		46,819	46,058

Group Reconciliation of Movements in Shareholders' Funds

Year to 31 December 2001	Notes	2001 £'000	2000 £'000 Restated
Profit for the financial year		48,588	46,135
Dividends		(10,015)	(9,202)
Other recognised gains and losses relating to the year (net)		(33)	(77)
New share capital subscribed, including share premium		472	1,037
Net increase in shareholders' funds		39,012	37,893
Opening shareholders' funds	22b	248,997	211,104
Closing shareholders' funds		288,009	248,997

Group Note of Historical Cost Profits and Losses

Year to 31 December 2001	2001 £'000	2000 £'000
Reported profit on ordinary activities before taxation	68,546	65,457
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	89	92
Historical cost profit on ordinary activities before taxation	68,635	65,549
Historical cost profit for the year retained after taxation and dividends	38,662	37,025

The accompanying notes are an integral part of these accounts.

Group Balance Sheet

As at 31 December 2001	Notes	2001 £'000	2000 £'000 Restated
Fixed assets			
Intangible	12	**425,494**	419,483
Tangible	13	**118,541**	102,495
Investments	14	**5,137**	5,224
		549,172	527,202
Current assets			
Stocks	15	**2,030**	2,966
Debtors - due within one year	16	**35,503**	36,375
- due after more than one year	16	**6,501**	3,181
Cash at bank and in hand	23g	**9,138**	9,147
		53,172	51,669
Creditors: amounts falling due within one year	17	**(89,826)**	(78,054)
Net current liabilities		**(36,654)**	(26,385)
Total assets less current liabilities		**512,518**	500,817
Creditors: amounts falling due after more than one year	18	**(212,016)**	(242,429)
Provisions for liabilities and charges	20	**(12,493)**	(9,391)
Net assets	2	**288,009**	248,997
Capital and reserves			
Called-up share capital			
Equity	21	**20,136**	20,111
Non-equity	21	**1,106**	1,106
		21,242	21,217
Reserves	22a	**266,767**	227,780
Capital employed		**288,009**	248,997

The accounts were approved by the Board of Directors on 12 March 2002 and were signed on its behalf by:

T J Bowdler, Chief Executive

S R Paterson, Finance Director

The accompanying notes are an integral part of these accounts.

Group Cash Flow Statement

Year to 31 December 2001	Notes	**2001** **£'000**	2000 £'000
Net cash inflow from operating activities	23a	**97,622**	92,954
Returns on investments and servicing of finance	23b	**(15,993)**	(18,643)
Taxation	23c	**(19,317)**	(22,937)
Capital expenditure and financial investment	*23d*	**(24,296)**	(23,405)
Acquisitions and disposals	23e	**(6,005)**	(16,088)
Equity dividends paid		**(9,353)**	(8,529)
Cash inflow before management of liquid resources and financing		**22,658**	3,352
Financing	*23f*	**(28,544)**	(6,058)
Decrease in cash in the year	23g	**(5,886)**	(2,706)

The accompanying notes are an integral part of these accounts.

Company Balance Sheet

As at 31 December 2001	Notes	2001 £'000	2000 £'000
Fixed Assets			
Tangible	13	**2,230**	2,393
Investments	14	**515,528**	515,528
		517,758	517,921
Current assets			
Stocks	15	**210**	228
Debtors - due within one year	16	**90,688**	92,142
- due after more than one year	16	**249**	463
Cash at bank and in hand		**3,095**	5,649
		94,242	98,482
Creditors: *amounts falling due within one year*	17	**(59,368)**	(61,911)
Net current assets		**34,874**	36,571
Total assets less current liabilities		**552,632**	554,492
Creditors: amounts falling due after more than one year	18	**(206,732)**	(239,603)
Provisions for liabilities and charges	20	**(782)**	(810)
Net assets		**345,118**	314,079
Capital and reserves			
Called-up share capital			
Equity	21	**20,136**	20,111
Non-equity	21	**1,106**	1,106
		21,242	21,217
Reserves	22a	**323,876**	292,862
Capital employed		**345,118**	314,079

The accounts were approved by the Board of Directors on 12 March 2002 and were signed on its behalf by:

T J Bowdler, Chief Executive

S R Paterson, Finance Director

The accompanying notes are an integral part of these accounts.

Notes to the Accounts

Year to 31 December 2001

1. Accounting Policies

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and using applicable accounting standards. No Profit and Loss Account is presented for the Parent Company as permitted by Section 230 of the Companies Act 1985. Of the Group profit for the financial year, £40,528,000 (2000 - £40,951,000) is dealt with in the accounts of the Parent Company.

Basis of consolidation

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

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

Publishing Titles

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

Tangible fixed assets

Tangible fixed assets are shown at cost or valuation, net of depreciation and any provision for impairment, as set out in note 13.

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

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

Revaluation of properties

The Group has adopted the transitional provisions of FRS15 in retaining previously revalued book amounts. The valuations carried out in 1996 and 1997 will no longer be updated. Where depreciation charges were increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Fixed asset investments

Listed investments are shown at current market valuation. Upward revaluations are credited to the revaluation reserve. Downward revaluations in excess of any previous upward revaluation are taken to the Profit and Loss Account.

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

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:
Cost incurred in bringing materials to their present location and condition comprises; (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.

Leasing

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

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

Notes to the Accounts Continued

1. Accounting Policies (continued)

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

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet 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 balance sheet date. Timing differences are differences between the group'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.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Finance costs
Finance costs of debt are recognised in the Profit and Loss Account over the term of such instruments at a constant rate on the carrying amount.

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

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

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

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

The expected cost of pensions in respect of the Group's defined benefit pension schemes is charged to the Profit and Loss Account so as to spread the cost of pensions over the service lives of employees in the schemes. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes. The pension cost is assessed in accordance with the advice of qualified actuaries. The Group has elected to adopt the transitional disclosure requirements of FRS17.

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

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

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

2. Turnover/Net Assets Analysis

	Turnover		Net Assets	
	2001	2000	**2001**	2000
a) By activity	**£'000**	£'000	**£'000**	£'000
Continuing operations				Restated
Newspapers and contract printing				
Existing operations	**298,932**	292,174	**287,935**	248,997
Acquisitions	**1,683**	–	**74**	–
Total continuing operations	**300,615**	292,174	**288,009**	248,997

b) By location
All the Turnover and Net Assets relate to the United Kingdom.

Turnover for newspapers relates to 52-week periods ended 31 December 2001 and 31 December 2000.

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

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

	Continuing operations Existing £'000	Acquisitions £'000	Total £'000
a) Cost of sales			
2001	*151,259*	*1,222*	*152,481*
2000	150,643	–	150,643
b) Other operating costs (net)			
2001			
Distribution costs	22,005	94	22,099
Administration expenses (inclusive of exceptional items)	36,428	146	36,574
	58,433	*240*	*58,673*
2000			
Distribution costs	21,024	–	21,024
Administration expenses (inclusive of exceptional items)	36,611	–	36,611
	57,635	–	57,635
c) Operating exceptionals included within administration expenses			
2001			
Closure of web offset press	365	–	365
Reorganisation following acquisition of new titles	–	115	115
Restructuring of the Group's operations	1,121	–	1,121
Profit on sale of properties	(352)	–	(352)
	1,134	115	1,249
2000			
Closure of web offset press	309	–	309
Reorganisation following acquisition of new titles	779	–	779
	1,088	–	1,088

4. Operating Profit

	2001 £'000	2000 £'000
a) By activity		
Continuing operations		
Newspapers and contract printing		
Existing operations	**89,355**	83,896
Acquisitions	**106**	–
Total continuing operations	**89,461**	83,896

b) By location
All the operating profit is derived from the United Kingdom.

Notes to the Accounts Continued

4. Operating Profit (continued)

	2001 £'000	2000 £'000
c) Operating profit is shown after charging or (crediting):		
Depreciation of tangible fixed assets (note 13)	**11,600**	11,534
Loss/(profit) on disposal of tangible fixed assets	**79**	(145)
Redundancy costs	**1,633**	1,496
Staff costs (note 7)	**97,469**	95,054
Auditors' remuneration:		
Audit services	**250**	251
Development grant amortisation	**(14)**	(14)
Operating lease charges:		
Plant and machinery	**370**	503
Other	**2,260**	2,177

In addition to the auditors' remuneration shown above, the auditors received fees of £485,000 (2000 - £216,000) for non-audit services, of which £300,000 (2000 - £nil) related to acquisitions and disposals. The other non-audit fees related to the audit of the Group's circulation and distribution figures and additional tax services.

5. Exceptional Items Reported after Operating Profit

	2001 £'000	2000 £'000
Closure of Southern Web operation	**(5,014)**	—

The aggregate effect of the exceptional items on the amount charged to the Profit and Loss Account for taxation was to reduce the charge in 2001 by £1,504,000.

6. Net interest

	2001 £'000	2000 £'000
Investment income:		
Income from fixed asset investments	**992**	574
Interest receivable	**216**	286
Total investment income	**1,208**	860
Interest payable and similar charges:		
On bank loans and overdrafts	**(13,823)**	(15,193)
On loan stock	**(2,999)**	(3,802)
Amortisation of term debt issue costs	**(684)**	(684)
Total interest payable and similar charges	**(17,506)**	(19,679)
Net interest	***(16,298)***	*(18,819)*

7. Employees

The average monthly number of employees (including executive directors) was:	2001 No.	2000 No.
Newspaper and contract printing:		
Editorial and photographic	**1,375**	1,321
Sales and distribution	**2,241**	2,310
Production	**1,278**	1,305
Administration	**573**	586
	5,467	5,522

	£'000	£'000
Staff costs:		
Wages and salaries	**86,099**	84,066
Social security costs	**6,969**	6,816
Other pension costs (note 25)	**4,401**	4,172
	97,469	95,054

8. Directors' Emoluments

Full details of the Directors' emoluments, pension benefits and share options are included in the Remuneration Report on pages 27 to 29.

9. Taxation

The taxation charge which is based on the profit for the year is made up as follows:	**2001 £'000**	2000 £'000
Corporation tax	**16,659**	17,474
Tax on profit of associated undertakings	**92**	73
Taxation under/(over) provision in previous years	**43**	(140)
Deferred taxation (note 20)	**3,164**	1,915
	19,958	19,322

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2001 £'000	2000 £'000
Profit on ordinary activities before tax	**68,546**	65,457
Less: share of associates' profit before tax	**397**	380
Group profit on ordinary activities before tax	**68,149**	65,077
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 30% (2000 - 30%)	**20,445**	19,523
Effects of:		
Expenses not deductible for tax purposes	**101**	77
Capital allowances in excess of depreciation	**(1,780)**	(978)
Investment income	**(298)**	(172)
Other timing differences	**(1,809)**	(976)
Group current tax charge for period	**16,659**	17,474

The group earns its profits primarily in the UK, therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 30%.

The amount of deferred tax that has not been provided on fixed assets subject to rollover relief is £1,072,000 (2000 – £1,145,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

10. Dividends

	2001	2000
Non-Equity:	**£'000**	£'000
Preference Dividends		
13.75% Cumulative Preference Shares paid	**104**	104
13.75% "A" Preference Shares paid	**48**	48
Equity:		
Ordinary Dividends		
Interim of 1.65p (2000 - 1.5p) paid on 2 November 2001	**3,319**	3,016
Proposed final of 3.25p (2000 - 3p) payable on 17 May 2002	**6,544**	6,034
	10,015	9,202

Notes to the Accounts Continued

11. Earnings per Share

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

	Headline		Basic/Diluted	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Profit for the financial year	**48,588**	46,135	**48,588**	46,135
Exceptional items	**6,263**	1,088	**—**	—
Tax effect of exceptional items	**(1,879)**	(321)	**—**	—
Preference dividends	**(152)**	(152)	**(152)**	(152)
	52,820	46,750	**48,436**	45,983

	2001	2000
	No. of shares	No. of shares
Weighted average number of shares		
For headline/basic earnings per share	**201,163,624**	200,688,330
Exercise of share options	**1,033,609**	1,312,015
For diluted earnings per share	**202,197,233**	202,000,345

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

12. Intangible Fixed Assets

	Group	Company
	£'000	£'000
Publishing titles:		
Cost and net book value		
At 1 January 2001	419,483	—
Additions (note 14)	6,011	—
At 31 December 2001	425,494	—

13. Tangible Fixed Assets

Group	Freehold land and buildings £'000	Leasehold buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2001	30,302	4,911	95,379	12,864	143,456
Additions	2,107	17	24,712	2,498	29,334
Disposals	(514)	(31)	(523)	(2,601)	(3,669)
At 31 December 2001	**31,895**	**4,897**	**119,568**	**12,761**	**169,121**
Depreciation					
At 1 January 2001	2,005	568	32,374	6,014	40,961
Disposals	—	—	—	(1,981)	(1,981)
Charge for year	621	162	8,654	2,163	11,600
At 31 December 2001	**2,626**	**730**	**41,028**	**6,196**	**50,580**
Net book value					
At 31 December 2001	**29,269**	**4,167**	**78,540**	**6,565**	**118,541**
At 31 December 2000	28,297	4,343	63,005	6,850	102,495

Freehold land amounting to £3,597,000 (2000 - £3,563,000) has not been depreciated.

Company	Freehold buildings £'000	Leasehold buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2001	1,960	400	268	229	2,857
Additions	—	—	—	73	73
Transfers	—	—	—	21	21
Disposals	—	—	(94)	(174)	(268)
At 31 December 2001	**1,960**	**400**	**174**	**149**	**2,683**
Depreciation					
At 1 January 2001	144	29	153	138	464
Disposals	—	—	—	(128)	(128)
Transfers	—	—	—	8	8
Charge for year	45	9	9	46	109
At 31 December 2001	**189**	**38**	**162**	**64**	**453**
Net book value					
At 31 December 2001	**1,771**	**362**	**12**	**85**	**2,230**
At 31 December 2000	1,816	371	115	91	2,393

	Group		Company	
	2001 £'000	2000 £'000	**2001 £'000**	2000 £'000
a) Freehold buildings comprise:				
At valuation	**19,537**	19,626	**1,960**	1,960
At cost	**12,358**	10,676	**—**	—
	31,895	30,302	**1,960**	1,960

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

	Group		Company	
	2001 £'000	2000 £'000	**2001 £'000**	2000 £'000
b) Historical cost figures for freehold buildings are:				
Cost	**29,938**	28,329	**1,772**	1,772
Depreciation	**(3,027)**	(2,356)	**(322)**	(285)
	26,911	25,973	**1,450**	1,487

	Group £'000	*Company* £'000
c) Assets in the course of construction		
Plant and machinery		
At 1 January 2001	2,266	—
Movement in the year	3,424	—
At 31 December 2001	**5,690**	**—**

Notes to the Accounts Continued

14. Fixed Asset Investments

Group	Associated undertakings £'000	Listed investments £'000	Unlisted investments £'000	Total £'000
At 1 January 2001	380	362	4,482	5,224
Disposals	–	–	(1)	(1)
Revaluation deficit	–	(33)	–	(33)
Share of profits for the year	305	–	–	305
Dividends received	(358)	–	–	(358)
At 31 December 2001	**327**	**329**	**4,481**	**5,137**

Company	Subsidiary undertakings £'000	Unlisted investments £'000	Total £'000
At 1 January 2001 and 31 December 2001	**512,015**	**3,513**	**515,528**

The aggregate market value of the listed investments for the Group at 31 December 2001 was £329,000 (2000 - £362,000).

The Group holds more than 20% of the equity of the following companies:

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

*Held through subsidiary.

Subsidiary undertakings which are dormant are not listed above.

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

Acquisition of newspaper titles

The Company has made three small acquisitions during the year. These are not material acquisitions under the provisions of FRS6 and therefore the additional information required by FRS6 is not included.

On 8 January 2001 the Company through its wholly owned subsidiary, Johnston Publishing Limited, acquired the Glasgow East News title from a private publisher. The total consideration amounted to £118,890 and was paid wholly in cash. This payment represented an amount of £17,000 for book debts and £102,000 as the value of the publishing title.

On 2 February 2001 the Company through its wholly owned subsidiary, Johnston Publishing Limited, acquired four paid-for newspaper titles from Mortons Media Limited for a consideration of £5,829,718, which was paid wholly in cash. This payment represented an amount of £249,000 for book debts, adjusted to a fair value to the Group of £202,000; £90,000 for equipment, adjusted to a fair value to the Group of £nil and £5,628,000 as the value of the publishing titles.

On 4 December 2001 the Company through its wholly owned subsidiary, Johnston Publishing Limited, acquired the title Days Out UK from Best Guides Limited. The total consideration amounted to £281,010, which was paid wholly in cash. This payment represented an amount of £10,000 for book debts, adjusted to a fair value to the Group of £nil and £281,000 as the value of the publishing title.

	£'000
Summary of fair value of publishing titles capitalised on acquisition of:	
Glasgow East News	102
Titles from Mortons Media	5,628
Days Out UK	281
Total (note 12)	6,011

15. Stocks

	Group		Company	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Raw materials	**1,838**	2,755	**18**	17
Work in progress	**1**	2	**1**	2
Goods for re-sale	**191**	209	**191**	209
	2,030	2,966	**210**	228

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

16. Debtors

	Group		Company	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade debtors	**31,391**	32,704	**27**	24
Amounts owed by Group undertakings	—	—	**28,629**	30,353
Prepayments	**2,675**	2,833	**371**	196
Other debtors	**1,437**	838	**386**	373
Dividends receivable	—	—	**55,000**	55,000
Corporation tax recoverable	—	—	**6,275**	6,196
	35,503	36,375	**90,688**	92,142
Amounts falling due after more than one year:				
Pension prepayments	**6,184**	2,634	**24**	13
Other debtors	**317**	547	**225**	450
	6,501	3,181	**249**	463

Notes to the Accounts Continued

17. Creditors: amounts falling due within one year

	Group		Company	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Bank loans (note 19)	***27,500***	*22,500*	***27,500***	*22,500*
Loan stock (note 19)	**6,534**	6,998	**5,208**	5,230
Term debt issue costs	**(684)**	(684)	**(684)**	(684)
Bank overdrafts (secured)	**5,877**	–	**8,567**	17,134
Trade creditors	**6,726**	6,909	**–**	11
UK Corporation tax payable	**9,687**	12,302	**–**	–
Other taxes and social security costs	**5,489**	6,524	**153**	139
Amounts owed to Group undertakings	**–**	–	**7,443**	6,765
Dividends proposed	**6,544**	6,034	**6,544**	6,034
Obligations under finance leases	**20**	16	**–**	–
Other creditors	**1,476**	1,297	**143**	201
Accruals and deferred income	**20,657**	16,158	**4,494**	4,581
	89,826	78,054	**59,368**	61,911

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

	Group		Company	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Bank loans (note 19)	**152,381**	184,881	**152,381**	184,881
Loan stock (note 19)	**55,208**	56,243	**55,208**	56,243
Term debt issue costs	**(943)**	(1,627)	**(943)**	(1,627)
Other creditors	**5,257**	2,798	**86**	106
Obligations under finance leases	**113**	134	**–**	–
	212,016	242,429	**206,732**	239,603

19. Loans

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Guaranteed loan stock 1999/2006	**60,208**	61,243	**60,208**	61,243
Guaranteed loan stock 1994/2004	**208**	230	**208**	230
Guaranteed loan stock 1999/2004	**1,326**	1,768	**–**	–
Bank loans (secured)	**179,881**	207,381	**179,881**	207,381
	241,623	270,622	**240,297**	268,854
Repayable:				
Within one year	**34,034**	29,498	**32,708**	27,730
Within one to two years	**37,500**	27,500	**37,500**	27,500
Within two to five years	**170,089**	213,624	**170,089**	213,624
	241,623	270,622	**240,297**	268,854

Derivatives and other financial instruments
The disclosures are as defined in FRS13 and as permitted by that standard, certain financial assets such as investments in subsidiaries, short-term debtors and creditors have been excluded. Further details of the Group's treasury management policy are given on page 20.

At the 31 December 2001 the Group had a multi-option borrowing facility of £300 million that consisted of a £200 million fully drawn Term Loan with a maturity date of 17 May 2004 and a Revolving Credit Facility of £100 million which also matures on 17 May 2004. The undrawn element of the Revolving Credit Facility at 31 December 2001 amounted to £25 million. The Loan Stock 1999/2006 is part of the £200 million Term Loan Facility. *Redemptions of 1999/2006 Loan Stock over £5 million are funded from additional drawdowns from the Term Loan Facility.*

Interest rate profile
At 31 December 2001, the Group's financial assets consisted of sterling cash deposits of £7,474,000 (2000 - £7,367,000) which are placed on money market at call, 7-day and monthly rates and £450,000 of Loan Notes, with an interest rate of 1% above base rate, provided by the purchaser of S & E Distributors Ltd. The interest rate profile of the Group's financial liabilities at 31 December 2001 was:

	Total £'000	Borrowings Floating £'000	Borrowings Fixed £'000	Floating rate %	Fixed rate %
2001					
Bank borrowings	241,623	88,523	153,100	37	63
2000					
Bank borrowings	270,622	170,622	100,000	63	37

The weighted average interest rate on the fixed rate borrowings at 31 December 2001 was 4.98% (2000- 5.68%) which is fixed for an average period of 2 years (2000 - 3 years).

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

a) Loan Stock 1994/2004	0.75% below Libor
b) Loan Stock 1999/2004	1% below Libor
c) Loan Stock 1999/2006	0.5% above Libor
d) Term Loan and Revolving Credit Facility	0.85% above Libor with adjustments dependent on financial ratios.

The Directors are of the opinion that there is no material difference between the book value and fair value of these instruments.
At 31 December 2001 there were no material unrecognised gains or losses.

Notes to the Accounts Continued

20. Provisions for Liabilities and Charges

	Group		Company	
	2001	2000	**2001**	2000
	£'000	£'000 Restated	**£'000**	£'000
Deferred taxation	**10,597**	7,433	**(432)**	(404)
Unfunded pensions	**1,214**	1,214	**1,214**	1,214
Post retirement health costs	**668**	716	**—**	—
Development grants	**14**	28	**—**	—
	12,493	9,391	**782**	810

a) Deferred taxation
The balance on the deferred taxation account represents the postponed liability calculated at 30% (2000 - 30%) arising from:

(i) Accelerated capital allowances.
(ii) Timing differences on pension commitments.
(iii) Other timing differences.

Details of the deferred taxation account are as follows:

	(i) Accelerated capital allowances £'000	(ii) Pensions £'000	(iii) Other timing differences £'000	Total £'000
Group				
At 1 January 2001 as reported	5,586	(216)	327	5,697
Prior year adjustment (see note 22b)	1,730	6	—	1,736
As restated	7,316	(210)	327	7,433
Transfer from Profit and Loss Account	1,780	1,026	358	3,164
At 31 December 2001	**9,096**	**816**	**685**	**10,597**
Company				
At 1 January 2001	(39)	(361)	(4)	(404)
Transfer from/(to) Profit and Loss Account	14	4	(46)	(28)
At 31 December 2001	**(25)**	**(357)**	**(50)**	**(432)**

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

	Group £'000	Company £'000
Valuation at 1 January 2001	1,214	1,214
Pensions paid during the year	(186)	(186)
	1,028	1,028
Valuation at 31 December 2001	**1,214**	**1,214**
Charged to Profit and Loss Account	186	186

c) The movement in post retirement health costs relates to payments made in the year.

21. Share Capital

	2001 £'000	2000 £'000
Authorised — equity		
268,290,000 Ordinary Shares of 10p each (2000 - 268,290,000)	**26,829**	26,829
Authorised — non-equity		
756,000 13.75% Cumulative Preference Shares of £1 each (2000 - 756,000)	**756**	756
415,000 13.75% "A" Preference Shares of £1 each (2000 - 415,000)	**415**	415
	28,000	28,000
Issued — equity		
201,364,778 Ordinary Shares of 10p each (2000 - 201,116,499)	**20,136**	20,111
Issued — non-equity		
756,000 13.75% Cumulative Preference Shares of £1 each (2000 - 756,000)	**756**	756
349,600 13.75% "A" Preference Shares of £1 each (2000 - 349,600)	**350**	350
	21,242	21,217

During the year ended 31 December 2001, Ordinary Shares of 10p each were issued and allotted as follows:

	£'000
92,171 shares under the terms of the executive share option schemes for a consideration of £181,494	9
156,108 shares under the terms of the save as you earn scheme for a consideration of £290,674	16
Total at 31 December 2000	21,217
Total at 31 December 2001	**21,242**

Details of options outstanding are shown on page 29 and in note 27.

Notes to the Accounts Continued

22. Reserves

a) Reserves

	Share premium £'000	Revaluation reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Group					
At 1 January 2001 - as reported	103,839	3,273	–	122,404	229,516
Prior year adjustment (see note 22b)	–	–	–	(1,736)	(1,736)
As restated	103,839	3,273	–	120,668	227,780
Retained profit for year	–	–	–	38,573	38,573
Share premium on issue of new Ordinary Shares	447	–	–	–	447
Transfer on disposal of properties	–	(17)	–	17	–
Revaluation adjustment	–	(89)	–	89	–
Revaluation deficit	–	(33)	–	–	(33)
At 31 December 2001	**104,286**	**3,134**	**–**	**159,347**	**266,767**
Company					
At 1 January 2001	103,839	82	19,510	169,431	292,862
Retained profit for year	–	–	–	30,567	30,567
Share premium on issue of new Ordinary Shares	447	–	–	–	447
At 31 December 2001	**104,286**	**82**	**19,510**	**199,998**	**323,876**

The Profit and Loss Account is the only distributable reserve.

The cumulative amount of goodwill written off against Group reserves, net of goodwill relating to undertakings disposed of, is £60,956,000 (2000 - £60,956,000).

b) Prior year adjustment

The Group policy for calculating deferred taxation was changed during the year in accordance with the provisions of FRS19. A full provision for deferred taxation is now reflected in the accounts. The impact only affects opening reserves for both years to the extent of a reduction of £1,736,000 and the opening provision for deferred taxation for both years to the extent of an increase of £1,736,000. The profit and loss account of the current and previous years are unaffected due to the prior year adjustment relating to historic unprovided timing differences.

23. Notes to Cash Flow Statement

		2001 £'000	2000 £'000
a)	Net cash inflow from operating activities		
	Operating profit	**89,461**	83,896
	Exceptional items	**(621)**	–
	Depreciation charges	**11,600**	11,534
	Development grant amortisation	**(14)**	(14)
	Loss/(profit) on sale of tangible fixed assets	**79**	(145)
	Decrease/(increase) in stocks	**936**	(734)
	(Increase)/decrease in debtors	**(279)**	655
	Decrease in creditors	**(3,540)**	(2,238)
	Net cash inflow from operating activities	**97,622**	92,954
b)	*Return on investments and servicing of finance*		
	Income from fixed asset investments	**988**	574
	Interest received	**216**	286
	Dividends received from associated undertakings	**358**	215
	Interest paid	**(17,403)**	*(19,566)*
	Preference dividends paid	**(152)**	(152)
	Net cash outflow	**(15,993)**	(18,643)
c)	Taxation		
	UK corporation tax paid	**(19,317)**	(22,937)
	Net cash outflow	**(19,317)**	(22,937)
d)	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	**(25,910)**	(21,058)
	Sale of tangible fixed assets	**1,609**	1,166
	Purchase of unlisted investment	**–**	(3,513)
	Sale of investment	**5**	–
	Net cash outflow	**(24,296)**	(23,405)
e)	Acquisitions and disposals		
	Purchase of publishing titles/subsidiary undertakings	**(6,230)**	(16,387)
	Net cash acquired with subsidiary undertakings	**–**	74
	Sale of subsidiary undertaking	**225**	225
	Net cash outflow	**(6,005)**	(16,088)

Notes to the Accounts Continued

	2001	2000
	£'000	£'000
f) Financing		
Proceeds from issue of ordinary share capital	**472**	1,037
Loan stock repaid	**(1,499)**	(1,929)
Loans repaid	**(27,500)**	(5,140)
Finance leases	**(17)**	(26)
Net cash outflow	**(28,544)**	(6,058)

The titles acquired in the year contributed £249,000 to the Group's net operating cash flows and made no payments in respect of net *returns on investment and servicing of finance or taxation but paid £251,000 for capital expenditure.*

g) Analysis and reconciliation of net debt

	1 January 2001 £'000	Cash flow £'000	Other *non-cash* changes £'000	***31 December*** **2001** **£'000**
Cash at bank and in hand	9,147	(9)	–	**9,138**
Overdrafts	–	(5,877)	–	**(5,877)**
	9,147	(5,886)	–	**3,261**
Bank loans	(207,381)	27,500	–	**(179,881)**
Loan stock	(63,241)	1,499	–	**(61,742)**
Finance leases	(150)	17	–	**(133)**
Term debt issue costs	2,311	–	*(684)*	**1,627**
	(268,461)	29,016	(684)	**(240,129)**
Net debt	(259,314)	23,130	(684)	**(236,868)**

Of the £9,138,000 cash at bank and in hand, £2,974,000 is held on deposit to guarantee the 1999/2006 Loan Stock interest for one year.

	2001	2000
	£'000	£'000
Decrease in cash in the year	**(5,886)**	(2,706)
Repayment of debt and lease financing	**29,016**	7,095
Change in net debt resulting from cash flows	**23,130**	4,389
Amortisation of term debt issue costs	**(684)**	(684)
Finance leases acquired with subsidiary	**–**	(9)
Movement in net debt in year	**22,446**	3,696
Net debt at beginning of year	**(259,314)**	(263,010)
Net debt at end of year	**(236,868)**	(259,314)

24. Guarantees and Other Financial Commitments

a) Lease commitments

The Group has entered into non-cancellable operating leases in respect of plant and machinery, the payments for which extend over a period of years. The total annual rental for 2001 was £370,000 (2000 - £503,000). In addition, the Group leases certain land and buildings on short-term and long-term operating leases. The annual rental on these leases was £2,260,000 (2000 - £2,177,000). The rents payable under property leases are subject to renegotiation at various intervals specified in the leases. The Group pays insurance, maintenance and repairs of these properties.

	Group		Company	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
The minimum annual rentals under the foregoing leases are as follows:				
Plant — expiring				
Within one year	**10**	46	**–**	–
Between two and five years	**104**	168	**–**	–
After five years	**15**	28	**–**	–
	129	242	**–**	–
Land and buildings — expiring				
Within one year	**84**	27	**6**	6
Between two and five years	**438**	372	**–**	–
After five years	**1,617**	1,804	**–**	–
	2,139	2,203	**6**	6
b) Capital commitments				
Contracted for but not provided	**11**	57	**–**	–

c) Bank guarantees

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

d) Contingent liability

In March 2000 the Inland Revenue notified the Group of a possible capital gains tax liability of £18 million relating to pre-acquisition transactions in companies acquired by the Group. In the event of proven liability the Group holds a full tax indemnity from the vendor of the companies concerned and accordingly no provision for any liability is reflected in these accounts.

Notes to the Accounts Continued

25. Pension Schemes

The Group operated a number of pension schemes providing benefits based on final pensionable salary. On 31 December 2000 the Johnston Press Executive Pension scheme and the Portsmouth and Sunderland scheme were merged with The Johnston Press Pension scheme. The Group made a total payment of £3,706,000 to the scheme to facilitate the merger, of which £2,833,000 was paid in January 2001. The assets of the schemes are held separately from those of the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

	Johnston Press pension schemes
Most recent valuation	31 December 2000
Assumed investment return per annum	5.1% - 6.6%
Annual salary increase at	4%
Market value of scheme assets	£152,912,000
Actuarial value of assets to accrued benefit	99%
Contribution ranges:	
Employee	0%-8%
Employer	4%-35%

The valuation at 31 December 2000 produced a deficit of £2,175,000. The Company has agreed to fund this deficit and this amount will be paid during 2002. An increased level of contribution will be made to meet the ongoing fund requirement.

The pension cost charged in the Profit and Loss Account was as follows:

	2001 £'000	2000 £'000
Defined benefit schemes	**2,891**	2,776
Defined contribution schemes	**1,510**	1,396
Charged in accounts	**4,401**	4,172
Actual contributions paid	**7,831**	5,930
Increase in balance sheet excesses	**3,430**	1,758

Cumulative excesses of £3,931,000 (2000 - £501,000) are included within the balance sheet.

Additional disclosures regarding the Group's defined benefit pension scheme are required under the transitional provisions of FRS17 'Retirement Benefits' and these are set out below. The disclosures relate to the first year of the transitional provisions. They provide information which will be necessary for full implementation of FRS17 in the year ending 31 December 2003.

The actuarial valuation described above has been updated at 31 December 2001 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for actuarial valuation were:	2001
Rate of increase in salaries	3.5%
Rate of increase in pensions in payment	2.5%
Discount rate	6.0%
Inflation assumption	2.5%

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	2001 %	2001 £m
Equities	7.5	90.0
Bonds	5.0	45.0
Cash	3.5	4.0
Total fair value of assets		139.0
Present value of scheme liabilities		152.0
Net pension liability		13.0

This net pension liability takes account of the £2,175,000 contribution agreed by the Group in December 2001.

The contribution rate for 2001 was 15.0% of pensionable earnings and the agreed contribution rate for the next three years is 19.3 % of pensionable earnings.

The scheme is a closed scheme and therefore under the projected unit method the current service cost would be expected to increase as the members of the scheme approach retirement.

26. Related Party Transactions

The Group undertook transactions, all of which were on an arms length basis, and had balances outstanding at 31 December 2001 with related parties as shown below:

Related party	Purchases £'000	Creditors £'000	Sales £'000	Debtors £'000
Emcliffe Ltd	415	195	147	0
Classified Periodicals Ltd	89	24	98	18
Free Admart Ltd	97	13	0	0

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

Notes to the Accounts Continued

27. Employee Share Schemes

Executive Share Option Scheme

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

Date of Grant	Exercisable between	Option Price	Number of Ordinary Shares
04.06.93	04.06.96 and 04.06.03	134.75p	55,000
15.07.97	15.07.00 and 15.07.07	172.50p	118,838
12.10.98	12.10.01 and 11.10.08	150.50p	255,801
10.05.99	10.05.02 and 09.05.09	282.50p	138,025
07.09.99	07.09.02 and 06.09.09	302.00p	9,933
28.04.00	28.04.03 and 27.04.10	327.50p	65,634
22.12.00	22.12.03 and 21.12.10	342.50p	2,919
17.04.01	17.04.04 and 16.04.11	336.50p	199,369
05.11.01	05.11.04 and 04.11.11	298.50p	83,750

The options granted to Executive Directors and details of share prices in 2001 are shown on page 29.

Group Savings - Related Share Option Scheme

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

Options under this scheme at 31 December 2001 to employees are made up as follows:

Option Grant Date	Number of Shares	Issue price per Share
15.07.97	877,125	180p
02.10.98	384,701	186p
29.09.99	448,243	309p
29.09.00	409,172	345p
27.09.01	417,921	305p

The above options were issued to employees at a price equivalent to the average mid-market price for the 30 days prior to 7 July 1997, 10 September 1998, 6 September 1999, 4 September 2000 and 3 September 2001 respectively.

Group Profit and Loss Account Half Yearly Summary

	Year to 31 December 2000			Year to 31 December 2001		
	6 months to December £'000	June £'000	Year £'000	6 months to December £'000	June £'000	**Year £'000**
Turnover						
Existing operations	141,299	147,465	288,764	145,814	153,118	**298,932**
Acquisitions	3,410	–	3,410	866	817	**1,683**
Total turnover	144,709	147,465	292,174	146,680	153,935	**300,615**
Operating profit						
Existing operations	39,809	43,957	83,766	41,322	48,033	**89,355**
Acquisitions	130	–	130	87	19	**106**
Total operating profit	39,939	43,957	83,896	41,409	48,052	**89,461**
Share of associates' operating profit	*177*	*203*	*380*	*173*	*224*	***397***
Profit on ordinary activities before interest and exceptional items	40,116	44,160	84,276	41,582	48,276	**89,858**
Exceptional items	–	–	–	–	(5,014)	**(5,014)**
Profit on ordinary activities before interest and taxation	40,116	44,160	84,276	41,582	43,262	**84,844**
Net interest	(9,825)	(8,994)	(18,819)	(8,231)	(8,067)	**(16,298)**
Profit on ordinary activities before taxation	30,291	35,166	65,457	33,351	35,195	**68,546**
Taxation on profit on ordinary activities	(8,654)	(10,668)	(19,322)	(9,759)	(10,199)	**(19,958)**
Profit on ordinary activities after taxation	21,637	24,498	46,135	23,592	24,996	**48,588**
Dividends	(6,118)	(3,084)	(9,202)	(6,620)	(3,395)	**(10,015)**
Retained profit for year	15,519	21,414	36,933	16,972	21,601	**38,573**

All half years comprised 26 weeks trading.

Five Year Summary

	1997 £'000	1998 £'000	1999 £'000	2000 £'000	**2001 £'000**
Profit and Loss Account				Restated	
Turnover	211,962	201,732	242,564	292,174	**300,615**
Operating profit on ordinary activities	45,613	51,115	65,914	83,896	**89,461**
Share of associates' operating profit	195	242	310	380	**397**
Exceptional items	(3,562)	686	(5,230)	–	**(5,014)**
Profit before interest and taxation	42,246	52,043	60,994	84,276	**84,844**
Net interest payable	(7,661)	(6,155)	(11,160)	(18,819)	**(16,298)**
Profit before taxation	34,585	45,888	49,834	65,457	**68,546**
Taxation	(10,420)	(14,270)	(15,272)	(19,322)	**(19,958)**
Profit after taxation	24,165	31,618	34,562	46,135	**48,588**
Dividends	(6,168)	(7,169)	(8,171)	(9,202)	**(10,015)**
Retained profit for year	17,997	24,449	26,391	36,933	**38,573**
Statistics					
Basic earnings per share	11.98p	15.70p	17.16p	22.91p	**24.08p**
Headline earnings per share	13.09p	15.73p	19.20p	23.29p	**26.26p**
Operating profit to turnover	21.5%	25.3%	27.2%	28.7%	**29.8%**
Balance Sheet					
Intangible fixed assets	206,346	217,357	403,440	419,483	**425,494**
Tangible fixed assets	46,969	48,009	91,846	102,495	**118,541**
Investments	818	378	1,821	5,224	**5,137**
	254,133	265,744	497,107	527,202	**549,172**
Net current liabilities	(8,368)	(13,144)	(17,671)	(26,385)	**(36,654)**
Total assets less current liabilities	245,765	252,600	479,436	500,817	**512,518**
Creditors due after one year	(82,935)	(64,258)	(260,790)	(242,429)	**(212,016)**
Provisions	(2,385)	(3,405)	(5,806)	(9,391)	**(12,493)**
Net Assets	160,445	184,937	212,840	248,997	**288,009**
Shareholders' Funds					
Ordinary Shares	20,044	20,047	20,048	20,111	**20,136**
Preference Shares	1,106	1,106	1,106	1,106	**1,106**
Reserves	139,295	163,784	191,686	227,780	**266,767**
Capital Employed	160,445	184,937	212,840	248,997	**288,009**

The 1999 year was a 53 week period.

Notice of Meeting

Notice is hereby given that the seventy-third Annual General Meeting of the Company will be held in the Boardroom, The Caledonian Hilton Hotel, Princes Steet, Edinburgh on 26 April 2002 at 11am to transact the following business of the Company:

1. To receive the Accounts for the year ended 31 December 2001 and the reports of the Directors and Auditors thereon.

2. To receive the Remuneration Report for the year ended 31 December 2001.

3. To declare a dividend.

4. To re-elect Mr R G Parry, Mr T J Bowdler, Sir Harry Roche and Mr S R Paterson as Directors of the Company.

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

As special business to consider and, if thought fit, pass the following Resolutions of which numbers 6 and 7 will be proposed as Ordinary Resolutions and number 8 will be proposed as a Special Resolution:-

Ordinary Resolutions

6. That the directors be and are hereby authorised to implement the award of restricted shares to Mr T J Bowdler in accordance with the provisions summarised in the circular to shareholders dated 12 March 2002, a copy of which is produced to the meeting and signed by the Chairman for identification purposes and to do all acts and things necessary to give effect to the same.

7. That the directors be and hereby authorised to amend the Johnston Press Group 1997 Savings Related Share Option Scheme as described in the circular to shareholders dated 12 March 2002, a copy of which is produced to the meeting and signed by the Chairman for identification purposes and to do all acts and things necessary to give effect to the same.

Special Resolution

8. That the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 10p each in the Company ('Ordinary Shares') PROVIDED THAT:

   (i) the maximum number of Ordinary Shares hereby authorised to be acquired is 20,000,000;

   (ii) the maximum price which may be paid for any such Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased and the minimum price which may be paid for any such share is 10p (in each case exclusive of associated expenses); and

   (iii) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 12 months from the date of the passing of this resolution, whichever is the earlier; but a contract of purchase may be made before such expiry which will or may be completed wholly or partly thereafter, and a purchase of Ordinary Shares may be made in pursuance of any such contract.

By Order of the Board

P R Cooper, ACA
Secretary
53 Manor Place
Edinburgh EH3 7EG
12 March 2002

Notice of Meeting

Notes

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

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

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

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

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

F Copies of the rules governing the restricted share award and the revised Johnston Press Group 1997 Savings Related Share Option Scheme will be available for inspection at the Company's Registered Office and at the office of New Bridge Street Consultants, 20 Little Britain, London, EC1A 7DH during normal working hours on any week day (except Saturdays and public holidays) up to and including the date of the Annual General Meeting and on that date at the place of the Meeting from 10.30am until its conclusion.

Johnston Press plc
Form of Proxy for Annual General Meeting On Friday 26 April 2002

I/We ______________________________

(Block capitals)

of ______________________________

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

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 26 April 2002 and at every adjournment thereof.

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

	For	Against
1. The adoption of the accounts and of the Directors' and Auditors' Reports thereon	☐	☐
2. The adoption of the Remuneration Report	☐	☐
3. The declaration of the dividend	☐	☐
4. The re-election of Directors as follows:		
(a) Mr R G Parry	☐	☐
(b) Mr T J Bowdler	☐	☐
(c) Sir Harry Roche	☐	☐
(d) Mr S R Paterson	☐	☐
5. (a) The reappointment of Auditors	☐	☐
(b) To authorise the Directors to fix the Auditors' remuneration	☐	☐
6. Ordinary Resolution	☐	☐
7. Ordinary Resolution	☐	☐
8. Special Resolution	☐	☐

Signature(s) ______________________ Dated this ______ day of ______________ 2002

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

Notes:

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

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

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

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

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

Please tear along this line

Second fold

BUSINESS REPLY SERVICE
Licence No. EH 59

1

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

First fold

Third fold and tuck in