

NEWSQUEST MEDIA GROUP LIMITED

**Directors' Report and Financial Statements
for the 52 weeks ended 25 December 2011**

THURSDAY



L1HDN1QO

LD3

13/09/2012

#59

COMPANIES HOUSE

NEWSQUEST MEDIA GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

CONTENTS	Page
Directors' report	1
Auditor's report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

NEWSQUEST MEDIA GROUP LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the 52 weeks ended 25 December 2011

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

Newsquest Media Group Limited is the parent operating company of a group of companies operating within the publishing and printing industry. The company provides management services to group companies, including a sales service in respect of leaflet distribution and national advertising.

The company's key financial and other performance indicators for its trading activity during the financial period were as follows:

	2011 £'000	2010 £'000	Change
Turnover	1,148	1,369	(16.1%)

During the period the company continued to make a series of cost reductions and restructured processes to mitigate the impact of the decline in revenue through the recession. Recovery in the economy is expected to have a positive impact on revenues, although there remains uncertainty about the timing and extent of growth.

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates as an intermediate holding company within the Gannett Co, Inc. group of companies. All of its material transactions are with fellow group undertakings and as such its activities are dependent on the activities of the Gannett Co, Inc. group of companies as a whole.

The risks and uncertainties facing the company are linked to those of the group. A discussion of the Group risks and uncertainties is contained in the group's annual report.

RESULTS AND DIVIDENDS

The company's loss for the period after taxation was £815,000 (2010 - £6,652,000 profit).

Interim dividends of £7,557,702 on ordinary shares (2010 - £nil) and £8,498 (2010 - £nil) on cumulative redeemable preference shares were paid in the period. The directors do not recommend a final dividend (2010 - £nil).

DIRECTORS

The directors who served during the period are listed below:

P Davidson

P Hunter

T Blott

R Mills (resigned 6 October 2011)

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The group maintains Director's and Officer's liability insurance for the directors during the course of their employment. The insurance will cover the directors' legal costs incurred in defending any proceedings brought by third parties. Such qualifying third party indemnity provision remains in place as at the date of approving the directors' report.

POLITICAL AND CHARITABLE DONATIONS

Details of political and charitable contributions are contained in the directors' report and financial statements of Gannett U.K. Limited.

EMPLOYEE PARTICIPATION AND THE ENVIRONMENT

The company places value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group and the company. Such communications are undertaken on a regional basis, and include consultation with staff via elected representatives on a Staff Council, the publication of regular newsletters and the regular meetings of directors and senior managers with staff throughout the period. There is a share incentive plan in place which is open to all employees.

NEWSQUEST MEDIA GROUP LIMITED

DIRECTORS' REPORT

The company is conscious of the importance of good environmental practices and aims for an ongoing improvement in the company's environmental performance and to comply with all relevant regulations. Information about the recycled content of newsprint used in the production of newspapers by the UK industry can be found on the Newspaper Society website, www.newspapersoc.org.uk

DISABLED PERSONS

It is the policy of the company to consider the skills and aptitudes of disabled persons fully and fairly at all times in recruitment, career development, training and promotion. In pursuing this policy and having special concern for employees who become disabled, all practical measures are taken to ensure that disabled persons are placed in jobs suited to their individual circumstances.

DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

The company's business activities, together with the factors likely to affect its future development and position, are set out above in the directors' report under the sections principal activities, review of the business and future prospects and principal risks and uncertainties.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company provides the group's centralised treasury arrangements and group's banking arrangements to its fellow subsidiaries. These banking arrangements are facilitated and negotiated through the group's ultimate parent company, Gannett Co, Inc.

The directors have received written confirmation from the directors of fellow subsidiaries that amounts disclosed in these accounts as falling due in more than one year are not repayable for a period at least more than one year from the date of the approval of these financial statements and, if appropriate, assistance will be provided in meeting the company's liabilities as and when they fall due, but only to the extent that money is not otherwise available to the company to meet such liabilities. This support would cease in the event of the company ceasing to be a subsidiary of Gannett U.K. Limited.

On the basis of their assessment of the company's financial position and the confirmations received from group companies, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

NEWSQUEST MEDIA GROUP LIMITED

DIRECTORS' REPORT

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the Board at the time of approving the directors' report are listed on page 1

Having made enquires of fellow directors and of the company's auditors, each of these directors confirm that

- to the best of each directors' knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

AUDITORS

Ernst & Young LLP are deemed to be reappointed in accordance with an elective resolution made under Section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006

This report was approved by the Board and signed on its behalf on 11 September 2012 by



N Carpenter
Joint Company Secretary

NEWSQUEST MEDIA GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWSQUEST MEDIA GROUP LIMITED

We have audited the financial statements of Newsquest Media Group Limited for the year ended 25 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 25 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Philip Young
Senior statutory auditor
for and on behalf of Ernst & Young LLP, London
Date

12 September 2012

NEWSQUEST MEDIA GROUP LIMITED
Company Registration No 1676637

PROFIT AND LOSS ACCOUNT

52 weeks ended 25 December 2011 (note 1)

	Note	2011 £'000	2010 £'000
TURNOVER	1, 2	1,148	1,369
Cost of sales		(824)	(1,101)
GROSS PROFIT		324	268
Operating expenses	3	(10,486)	(6,723)
Waiver of intercompany indebtedness		-	5,602
Amounts written off investments	6	-	(5,602)
Other operating income	5	8,664	11,491
OPERATING (LOSS)/PROFIT	6	(1,498)	5,036
Income from fixed asset investments	7	-	-
Interest receivable and similar income	8	2,055	3,317
Interest payable and similar charges	9	(1,377)	(926)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(820)	7,427
Tax credit/(charge) on (loss)/profit on ordinary activities	11	5	(775)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	20	(815)	6,652

All the company's activities were in respect of continuing operations

There were no recognised gains or losses for the period or the preceding period, other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented

NEWSQUEST MEDIA GROUP LIMITED

Company Registration No 1676637

BALANCE SHEET**25 December 2011 (note 1)**

	Note	2011 £'000	2010 £'000
FIXED ASSETS			
Tangible assets	12	4,697	4,264
Investments	13	210,277	210,277
		<u>214,974</u>	<u>214,541</u>
CURRENT ASSETS			
Debtors			
amounts falling due after one year		32,028	29,069
amounts falling due within one year		18,201	33,320
		<u>50,229</u>	<u>62,389</u>
Cash at bank and in hand	14	12,998	5,129
		<u>63,227</u>	<u>67,518</u>
TOTAL CURRENT ASSETS			
		63,227	67,518
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	15	(61,033)	(60,923)
NET CURRENT ASSETS			
		<u>2,194</u>	<u>6,595</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		217,168	221,136
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR			
	16	(161,140)	(156,650)
PROVISIONS FOR LIABILITIES			
	17	(151)	(227)
NET ASSETS			
		<u>55,877</u>	<u>64,259</u>
CAPITAL AND RESERVES			
Called up share capital	19	1	1
Share premium account	20	50,418	50,418
Merger reserve	20	1,907	1,907
Profit and loss account	20	3,551	11,933
		<u>55,877</u>	<u>64,259</u>
TOTAL SHAREHOLDERS' FUNDS			
	20	<u>55,877</u>	<u>64,259</u>

The financial statements on pages 5 to 18 were approved by the Board and signed on it behalf on 11 September 2012 by



P Hunter
Director

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2011

1 ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom

Accounting period

The profit and loss accounts cover the 52 weeks from 27 December 2010 to 25 December 2011 and 52 weeks from 27 December 2009 to 26 December 2010. The balance sheets for 2011 and 2010 have been drawn up at 25 December 2011 and 26 December 2010 respectively

Turnover

Turnover represents the invoiced value of sales, excluding Value Added Tax. Advertising revenues are recognised upon publication of the relevant newspaper. Circulation revenues, for paid-for newspapers, are recognised upon publication. Other revenue including digital revenue is recognised on publication or provision of the service. Revenues from barter transactions are recognised when the advertisements are displayed and are recorded at the fair value of goods or services received, in accordance with UITF Abstract 26 'Barter Transactions for Advertising'.

Income from fixed asset investments

Income from fixed asset investments comprises dividends from group undertakings, which are included in revenue in the period in which the company's right to receive payment is established.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Tangible fixed assets and depreciation

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. No depreciation is provided on land and assets in the course of construction. Freehold buildings, long leases and plant and equipment are depreciated over their estimated useful lives on the following bases:

Freehold buildings	-	2% straight line basis
Plant and equipment	-	4% - 50% straight line basis

Short leases are written off over the duration of the lease.

The carrying value of tangible fixed assets are reviewed for impairment, if events or changes in circumstances indicate the carrying value may not be recoverable.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalized in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives.

Investments

Investments held as fixed assets are stated at cost, less provision, if appropriate, for any impairment in value other than a temporary impairment in value.

The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date, calculated at the rate at which it is expected the tax will arise in accordance with FRS 19 "Deferred Tax". Deferred taxation balances are not discounted.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2011

1 ACCOUNTING POLICIES (CONTINUED)

Leasehold property

A provision is made at the balance sheet date for property dilapidations and for the net present value of net future costs on surplus vacant leased property

Pensions

The company participates in both a defined benefit pension scheme and a defined contribution pension scheme

In respect of the defined benefit pension scheme, the Newsquest Pension Scheme ("the Scheme"), pension costs are assessed in accordance with the advice of qualified independent actuaries. Charges to the profit and loss account for group subsidiaries that participate in the scheme are allocated to the company by the principal employer of the Scheme, Newsquest Media Group Limited, based upon contributions by the principal employer and the pensionable salaries of the company's employees

In accordance with FRS17, the company has accounted for its contributions to the defined benefit scheme as if it were a defined benefit contribution scheme as it is not possible to separately identify the company's share of the assets and liabilities in the defined benefit scheme. Refer to note 22 for further details

In respect of the defined contribution pension scheme, contributions are charged to the profit and loss account for the year in which they are payable to the scheme. Differences between contributions payable and contributions actually paid in the year are shown as either accruals or prepayments at the year end

Operating leases

Operating lease rentals are charged to profit and loss account on a straight line basis over the periods of the leases

Group accounts and cash flow statement

The company, as it is a wholly owned subsidiary itself, is not required to prepare group accounts because its parent undertaking is established under the law of an EEA state. Accordingly the financial statements present information about the company rather than the group as a whole. A cash flow statement is not required under Financial Reporting Standard 1 (revised), as the company is a wholly owned subsidiary and the group's financial statements are publicly available (note 26)

Classification of shares as debt or equity

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities in terms that may be unfavourable

When shares are issued, any component that creates a financial liability of the company or group is presented as a liability in the balance sheet measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement

Share-based payments

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions share price volatility has been considered, no account has been taken of any vesting conditions. No expense is recognised for awards that do not ultimately vest, provided that all other performance conditions are satisfied

At each balance sheet date before vesting, the cumulative expense is calculated with reference to the vesting period expired. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry to reserves

Recharges from the company's ultimate parent undertaking for the intrinsic value of the option on exercise, that is the difference between the market value on exercise and the option price is taken directly to the profit and loss reserve

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2011

1 ACCOUNTING POLICIES (CONTINUED)

Equity-settled transactions (continued)

The company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before the date of implementation by this company, 26 December 2005

For awards granted before 7 November 2002, the company recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards

2 TURNOVER

The whole of the turnover is attributable to the one principal activity of the company being the provision of management services to group companies, including a sales service in respect of leaflet distribution and national advertising all of which arises in the United Kingdom

3 OPERATING EXPENSES/ (INCOME)

	2011 £'000	2010 £'000
Selling and distribution costs	1,864	1,855
Administrative expenses	8,622	9,349
Proceeds from insurance claim	-	(4,481)
	<u>10,486</u>	<u>6,723</u>

4. STAFF COSTS

	2011 £'000	2010 £'000
Wages and salaries	7,378	7,124
Social security costs	810	743
Other pension costs	703	1,342
	<u>8,891</u>	<u>9,209</u>

Included in wages and salaries is a total charge for share-based payments of £329,848 (2010 - £328,901). Recharges for the intrinsic value of options exercised in 2011 of £338,824 (2010 - £173,251) have been taken directly to reserves

The average monthly number of employees, excluding directors, during the period was as follows

	No.	No
Marketing and sales	47	48
Distribution	10	13
Finance and management	55	57
Digital media	50	39
Prepress	21	7
	<u>183</u>	<u>164</u>

5. OTHER OPERATING INCOME

	2011 £'000	2010 £'000
Charges to subsidiaries and sister companies	<u>8,664</u>	<u>11,491</u>

For the current year the company has agreed not to charge group companies Newsquest Media (Southern) Ltd and Newsquest (Herald & Times) Ltd management charges of £1,523,062 and £1,588,936 respectively

NEWSQUEST MEDIA GROUP LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 25 December 2011

6. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting)	2011	2010
	£'000	£'000
Operating lease rentals		
- Land and buildings	72	72
Depreciation of tangible fixed assets		
- owned by the company	663	634
- held under finance leases	29	23
Amounts written off investments	-	5,602
Profit on disposal of fixed assets	(9)	-
Management charges	32	32

Audit services for the entire Gannett U K Limited group totalling £248,000 (2010 - £264,000) were paid by Newsquest Media Group Limited in the current and prior period. The company has recharged other group companies with their allocation of the audit fees through the management charge.

7. INCOME FROM FIXED ASSET INVESTMENTS

	2011	2010
	£'000	£'000
Dividends from group undertakings	-	-

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011	2010
	£'000	£'000
Other Interest receivable	118	66
Interest receivable from group undertakings	1,937	3,251
	<u>2,055</u>	<u>3,317</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2011	2010
	£'000	£'000
Bank overdraft facilities	3	4
Unwind of discount on provisions (note 17)	10	12
Interest payable to group undertakings	938	910
Cumulative redeemable preference shares	8	-
Guarantee fees	339	-
Other interest payable	79	-
	<u>1,377</u>	<u>926</u>

NEWSQUEST MEDIA GROUP LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 25 December 2011

10. DIRECTORS' EMOLUMENTS

The emoluments of the directors were as follows

	2011 £'000	2010 £'000
Executive directors' contractual salaries	912	939
Unpaid leave	(25)	(9)
Taxable benefits	40	42
Performance related payments	283	303
Pension scheme contributions	24	45
	<u>1,234</u>	<u>1,320</u>

The aggregate emoluments of the highest paid director were £598,441 (2010 - £612,405). During the year the highest paid director was granted share options under a long-term incentive scheme but did not exercise any share options. In 2011 and 2010 there were no payments to a pension scheme made on behalf of the highest paid director.

Retirement benefits accrued to two directors under a defined benefit scheme during this year up to 5 April 2011 and last year.

All of the directors exercised share options in the company's ultimate parent undertaking Gannett Co, Inc during the year (2010 - nil).

11. TAX CREDIT/(CHARGE) ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2011 £'000	2010 £'000
Analysis of credit/(charge) for the period:		
Current tax		
Adjustment in respect of prior periods	3	1
Deferred taxation		
Origination and reversal of timing differences	108	(962)
Adjustment in respect of prior periods	(61)	191
Change in the rate of corporation tax	(45)	(4)
	<u>5</u>	<u>(775)</u>

The tax credit for the period is different to the standard rate of corporation tax in the UK. The differences are explained below.

	2011 £'000	2010 £'000
Analysis of credit for the period:		
(Loss)/profit on ordinary activities before taxation	<u>(820)</u>	<u>7,427</u>
(Loss)/profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	217	(2,080)
Expenses that may not qualify as deductible for tax purposes	(94)	1,536
Capital allowances for the period in excess of depreciation	(11)	(59)
Surrender of tax losses	698	(856)
Transfer pricing adjustment	(980)	264
Adjustments to tax charge in respect of previous periods	3	1
Other timing differences	170	1,195
	<u>3</u>	<u>1</u>

NOTES TO THE ACCOUNTS

52 weeks ended 25 December 2011

11. TAX CREDIT/(CHARGE) ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

Tax losses arising within the Gannett U K Limited group of companies are relieved amongst group companies. The principal factor that may affect the tax charge in future periods is the basis on which tax losses are allocated within the group and the rate (if any) at which the company pays for those losses.

On 21 March 2012, the UK government confirmed its intention to propose Parliament reduce the main rate of UK corporation tax to 22% by 1 April 2014. This will be achieved by reducing the rate to 24% with effect from 1 April 2012 and to 23% with effect from 1 April 2013. Enactment of the 24% rate occurred on 26 March 2012 and the Finance Bill published on 29 March 2012 included legislation to implement the 23% rate from 1 April 2013. The reduction in the company's net assets arising from the 3% reduction in the rate is estimated to be about £78,000 in total and will be accounted for as the legislation is substantively enacted.

12. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 27 December 2010	3,422	4,240	7,662
Additions	-	1,165	1,165
Disposals	-	(246)	(246)
Transfer to group company	-	(15)	(15)
At 25 December 2011	3,422	5,144	8,566
Depreciation			
At 27 December 2010	319	3,079	3,398
Charge for the period	46	646	692
Disposals	-	(214)	(214)
Transfer to group company	-	(7)	(7)
At 25 December 2011	365	3,504	3,869
Net book value			
At 25 December 2011	3,057	1,640	4,697
At 26 December 2010	3,103	1,161	4,264

Land and buildings comprises freehold land and buildings with a book value of £3,057,000 (2010 - £3,103,000), within which freehold land amounts to £1,133,000 (2010 - £1,133,000). Also, included within plant and equipment are leased assets with a net book value of £87,000 (2010 - £69,000).

NEWSQUEST MEDIA GROUP LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 25 December 2011

13 INVESTMENTS

	Other investments £'000	Investments in subsidiary undertakings £'000	Total £'000
Cost			
At 25 December 2011 and 26 December 2010	15,523	571,842	587,365
Provisions			
At 25 December 2011 and 26 December 2010	15,523	361,565	377,088
Net book value			
At 25 December 2011 and 26 December 2010	-	210,277	210,277

The major subsidiary companies of Newsquest Media Group Limited (all of which are incorporated in Great Britain and registered in England and Wales and were wholly owned) at 25 December 2011 were

Name of Company	Nature of business
Newsquest (Yorkshire & North East) Limited	Printing and publishing
Newsquest (Essex) Limited	Publishing
Newsquest (North West) Limited	Publishing
Newsquest (London) Limited	Publishing
Newsquest (Midlands South) Limited	Printing and publishing
Newsquest (North East) Limited	Publishing
Newsquest (Oxfordshire & Wiltshire) Limited	Printing and publishing
Newsquest (Sussex) Limited	Publishing
Newsquest (York) Limited	Publishing

Other investments are unquoted and include loans, an associate and joint venture

During the year the company entered an agreement to reduce its interest (in ordinary shares) in Fish 4 Limited to below 10% (2010 - 10%). The principal activity of Fish 4 Limited during the period was the provision of online classified advertising services

At the year end, the company had a 25% interest in the ordinary £1 shares of HOLDTHEFRONTPAGE CO UK Limited whose principal activity during the period was the operation of a web business specialising in advertising job opportunities for journalists

14. DEBTORS

	2011 £'000	2010 £'000
Trade debtors	580	628
Amounts owed by group undertakings	41,987	42,408
Corporation tax	-	9,810
Other taxation and social security	2,587	2,175
Other debtors	1,374	3,879
Prepayments and accrued income	3,701	3,489
	50,229	62,389

Other debtors includes a deferred tax asset of £648,000 (2010 - £646,000) - see note 18

NEWSQUEST MEDIA GROUP LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 25 December 2011

14 DEBTORS (CONTINUED)

Amounts falling due after more than one year included above are

	2011 £'000	2010 £'000
Amounts owed by group undertakings	32,028	29,069

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Trade creditors	1,432	1,417
Amounts owed to group undertakings	56,932	57,251
Other creditors	560	293
Accruals and deferred income	2,109	1,962
	61,033	60,923

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £'000	2010 £'000
Cumulative preference shares	425	425
Amounts owed to group undertakings*	160,715	156,225
	161,140	156,650

*The above amount owed to group undertakings is wholly repayable within five years

The Cumulative Redeemable Preference shares can be redeemed at the option of the company or the shareholder at any time on giving appropriate notice. A premium of 38 46p per share is payable on the redemption of the 1% First Cumulative Redeemable Preference shares. No premium is payable on the redemption of the 1% Second Cumulative Redeemable Preference shares. The 1% Second Cumulative Redeemable Preference shares cannot be redeemed while any 1% First Cumulative Redeemable Preference shares remain in issue. The Cumulative Redeemable Preference shareholders have no rights at any general meeting other than in special circumstances and on a winding up are entitled to receive their nominal value and premium prior to ordinary shareholders.

17. PROVISIONS FOR LIABILITIES

	Post retirement medical costs £'000	Leasehold property provision £'000	Total £'000
At 27 December 2010	194	33	227
Credit for the period	(68)	(1)	(69)
Utilisation	(17)	-	(17)
Unwind of discount on provisions	8	2	10
At 25 December 2011	117	34	151

The leasehold property provision is expected to be utilised over the terms of the relevant leases.

The post retirement medical provision will be utilised over the period that the benefits will accrue. This is expected to be in excess of five years.

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2011

18 DEFERRED TAX ASSET

DEFERRED TAX ASSET		Deferred tax asset £'000
At 27 December 2010		646
Credit for the period		2
At 25 December 2011		<u>648</u>
The deferred tax asset is included in other debtors (note 14)		
The deferred tax asset recognised can be analysed as follows		
	2011 £'000	2010 £'000
Capital allowances in excess of depreciation	167	170
Other timing differences	357	301
Share based payments	124	175
	<u>648</u>	<u>646</u>

There is no other unprovided deferred tax

19. CALLED UP SHARE CAPITAL

	2011		2010	
	Number	£'000	Number	£'000
Authorised				
Ordinary shares of \$1 each	1,270	1	1,270	1
Deferred Ordinary shares of £1 each	200	-	200	-
1% First Cumulative Redeemable Preference shares of £1 each	325,000	325	325,000	325
1% Second Cumulative Redeemable Preference shares of £1 each	99,900	100	99,900	100
	<u>426,370</u>	<u>426</u>	<u>426,370</u>	<u>426</u>
Called up, allotted and fully paid				
Ordinary shares of \$1 each	1,270	1	1,270	1
Deferred Ordinary shares of £1 each	127	-	127	-
	<u>1,397</u>	<u>1</u>	<u>1,397</u>	<u>1</u>

The deferred ordinary shares can be repurchased at the option of the company at any time for an aggregate consideration of £1 which shall be applied for the benefit of the company. The deferred ordinary shares are not entitled to any participation in the profits or the assets of the company, other than as indicated below. The deferred ordinary shareholder has no right to receive notice of or attend and vote at any general meeting and shall only be entitled to participate in the assets of the company after the holders of every other class of shares in the capital of the company shall have received the sum of £10,000,000 in respect of each share held by them.

	2011		2010	
	Number	£'000	Number	£'000
1% First Cumulative Redeemable Preference shares of £1 each	325,000	325	325,000	325
1% Second Cumulative Redeemable Preference shares of £1 each	99,900	100	99,900	100
	<u>424,900</u>	<u>425</u>	<u>424,900</u>	<u>425</u>

The preference shares are presented as a liability (see note 16) and accordingly are excluded from called-up share capital in the balance sheet

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2011

20. RESERVES AND RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 28 December 2009	1	50,418	1,907	5,125	57,451
Profit for the period	-	-	-	6,652	6,652
Share-based payment	-	-	-	329	329
Payment to ultimate parent in respect of shares exercised	-	-	-	(173)	(173)
At 26 December 2010	1	50,418	1,907	11,933	64,259
Loss for the period	-	-	-	(815)	(815)
Share-based payment	-	-	-	330	330
Payment to ultimate parent in respect of shares exercised	-	-	-	(339)	(339)
Dividends declared and paid	-	-	-	(7,558)	(7,558)
At 25 December 2011	1	50,418	1,907	3,551	55,877

21. COMMITMENTS

The company has annual commitments for non-cancellable operating leases as follows

	Land and buildings	
	2011	2010
	£'000	£'000
Expiry date		
Within one year	32	-
Between two and five years	-	72

At 25 December 2011 the company had £49,000 capital commitments (2010 - £nil)

22. PENSION SCHEMES

The company is the principal employer of the Newsquest Pension Scheme, which is a funded defined benefit scheme, details of which, including particulars of the latest actuarial valuation, can be found in the financial statements of Gannett U K Limited for the period ended 25 December 2011

The contributions made by the group into the Scheme, are assessed in accordance with the advice of a qualified independent actuary. The pension costs in these accounts of £348,000 (2010 - £1,237,000) are to fund the contributions to the scheme by the principal employer of the Newsquest Pension Scheme. The allocation of this cost to this company is based on pensionable salaries.

The company and its immediate parent company have fully adopted FRS17, "Retirement Benefits"

The company has taken advantage of the exemption permitted by paragraph 9 (b) of FRS17 and accounts for the Scheme as if it were a defined contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities of the Scheme.

The company also participates in a defined contribution pension scheme on behalf of its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The costs for the year under this scheme were £355,000 (2010 - £105,000).

23. CONTINGENT LIABILITIES

The company has guaranteed to the Newsquest Pension Scheme all present and future obligations and liabilities of each employing company to the Scheme. The guarantee has a maximum amount equal to the lower of (a) the lowest non-negative amount which, when added to the assets of the Scheme, would result in the Scheme being at least 105% funded on the date on which any liability under this commitment arises, calculated on the basis set out in section 179 of the Pensions Act 2004, were a valuation to be conducted as at that date, and (b) £50m.

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2011

24. SHARE-BASED PAYMENTS

Employee Share Option Plan

The company participates in the Gannett Co , Inc 2001 Omnibus Incentive Compensation Plan Under the plan discretionary share options in the Group's ultimate parent undertaking, Gannett Co , Inc are granted to employees Gannett Co , Inc 's shares are publicly traded on the New York Stock Exchange and the exercise price of the options is equal to the actual closing market price of the shares on the date of grant The options vest evenly over four years from the date of grant provided that the employee remains in service The contractual life of the options is between 8 and 10 years and there are no cash settlement alternatives

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year

	2011 No	2011 WAEP	2010 No	2010 WAEP
Outstanding at 27 December 2010 and 28 December 2009	841,605	\$48 17	753,316	\$53 75
Granted during the year	61,000	\$16 23	147,850	\$15 27
Forfeited during the year	(45,315)	\$69 23	(36,561)	\$64 94
Exercised ²	(24,200)	\$4 40	(23,000)	\$4 86
Outstanding at 25 December 2011 ¹ and 26 December 2010 ¹	<u>833,090</u>	<u>\$44 77</u>	<u>841,605</u>	<u>\$48 17</u>
Exercisable at 25 December 2011 and 26 December 2010	<u>595,028</u>	<u>\$58 48</u>	<u>553,280</u>	<u>\$65 11</u>

¹ Included within this balance in 2010 were options over 44,740 (2011 nil) shares that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002 These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20

² The weighted average share price at the date of exercise for the options exercised in the year was \$16 22 (2010 - \$16 08)

For the share options outstanding at 25 December 2011, the weighted average contractual life is 3 92 years (2010 4 55 years)

The weighted average fair value of options granted during the year was \$7 85 (2010 - \$7 23) The range of exercise prices for options outstanding at the end of 2011 and 2010 was \$3 75 - \$87 33

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black Scholes model, taking into account the terms and conditions upon which the options were granted The following table lists the inputs to the model for the years ended 25 December 2011 and 26 December 2010

	2011	2010
Dividend yield (%)	1 00%	1 00%
Expected share price volatility (%)	62 46%	60 79%
Risk-free interest rate (%)	2 21%	2 24%
Expected life of options (years)	4 5	4 5
Weighted average share price	\$7 85	\$7 23

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome

No other features of options granted were incorporated into the measurement of fair value

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2011

24 SHARE-BASED PAYMENTS (CONTINUED)

Chairman's Award Scheme

Out of the 2001 Omnibus Incentive Compensation Plan discretionary shares have been awarded to certain employees. Title to the shares passes to the employee on expiration of the four year incentive period provided that the employee remains in service with the group.

The following table illustrates the number and weighted average share prices (WASP) of, and movements in, share options during the year.

	2011 No.	2011 WASP	2010 No.	2010 WASP
Outstanding at 27 December 2010 and 28 December 2009	3,575	\$18.75	3,400	\$20.57
Granted during the year	-	-	300	\$12.08
Forfeited during the year	(425)	\$22.97	-	-
Vested during the year	(500)	\$49.09	(125)	\$52.12
Outstanding at 25 December 2011 and 26 December 2010	<u>2,650</u>	<u>\$12.35</u>	<u>3,575</u>	<u>\$18.75</u>

Restricted stock

Restricted stock are discretionary shares awarded to certain individuals out of the 2001 Omnibus Incentive Compensation Plan. Each share awarded entitles the employee to receive one share of Gannett Co., Inc.'s common stock on the expiration of the incentive period which vest 4 years after the grant date.

	2011 No.	2011 WASP	2010 No.	2010 WASP
Outstanding at 27 December 2010 and 28 December 2009	74,570	\$16.17	61,980	\$18.41
Granted during the year	-	-	15,590	\$15.69
Forfeited during the year	(3,070)	\$16.11	-	-
Vested during the year	(16,400)	\$32.98	(3,000)	\$59.96
Outstanding at 25 December 2011 and 26 December 2010	<u>55,100</u>	<u>\$11.17</u>	<u>74,570</u>	<u>\$16.17</u>

25. RELATED PARTIES

The company is a wholly owned subsidiary included in the consolidated financial statements of its ultimate parent company. These financial statements are publicly available; therefore, the company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosure of transactions with entities that are part of the group or investees of the group qualifying as related parties.

26. ULTIMATE PARENT COMPANY

The company's ultimate parent and controlling company is Gannett Co., Inc., a company incorporated in the United States of America. The controlling company of the Newsquest group of companies in the United Kingdom is Gannett U.K. Limited, a company incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of Gannett Co., Inc. and Gannett U.K. Limited comprise respectively the largest and smallest groups of which the company is a member that prepare consolidated financial statements. The annual report and consolidated financial statements of Gannett Co., Inc. can be obtained from the Secretary, Gannett Co., Inc., 7950 Jones Branch Drive, McLean, Virginia 22107. The annual report and consolidated financial statements of Gannett U.K. Limited can be obtained from Companies House, Crown Way, Mandy, Cardiff, CF14 3UZ.