

NEWSQUEST MEDIA GROUP LIMITED

**Reports and Financial Statements
for the 52 weeks ended 28 December 2014**

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REPORTS AND FINANCIAL STATEMENTS 2014

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STRATEGIC REPORT

The directors present their reports and the audited financial statements for the 52 weeks ended 28 December 2014.

PRINCIPAL ACTIVITIES, REVIEW OF 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.

The group's key financial and other performance indicators during the financial period were as follows:

	2014* £'000	2013* £'000	Change
Turnover	279,332	288,595	(3.2%)
Operating profit	51,363	52,789	(2.7%)
Adjusted EBITDA**	69,148	67,338	2.7%
Adjusted EBITDA** margin	24.8%	23.3%	1.5pts

* The profit and loss accounts cover the 52 weeks from 30 December 2013 to 28 December 2014 and the 52 weeks from 31 December 2012 to 29 December 2013.

**Earnings before interest, tax, share of joint ventures and associates, depreciation, profit on disposal of property, restructuring costs, share based payment charges and FRS 17 pension charges.

During the period the group continued to make a series of cost reductions and restructured processes to mitigate the impact of the decline in revenue.

In the prior year, on 26 July 2013 the ownership of Newsquest Media (Southern) Limited and Newsquest Printing (Glasgow) Limited was transferred to the company from Newsquest Capital plc by way of capital contribution. This increased the share capital by a total of £187m. The subsidiaries were transferred at their respective net book values of £101m and £86m. This increased the investments and retained earnings balances by a total of £187m. This is the first year consolidated accounts have been prepared for Newsquest Media Group Limited and its subsidiaries. The basis on which these accounts have been prepared is set out in the accounting policies in Note 1 of the accounts.

On the same date Newsquest Media (Southern) Limited and Newsquest (Herald & Times) Limited paid up dividends to the company of £32m and £85m respectively.

The group is expected to continue to generate positive cash flows for the foreseeable future.

SUBSEQUENT EVENTS

On 22 May 2015 the Company acquired the share capital of Romanes Media Group Limited for cash consideration of £15.2m. Net assets of approximately £1.6m were acquired. The group has operations in South West Scotland, Berkshire England and Northern Ireland. The turnover of Romanes Media Group Limited for the year to 28 September 2014 was £18m and operating profit £2.9m.

PRINCIPAL RISKS AND UNCERTAINTIES

The group operates in a competitive and dynamic environment where maintaining and developing the interest of the audience is critical to its commercial success in attracting advertisers and readers. Competing newspapers and alternative media, including the internet, impact the group's ability to grow revenues.

The group manages this competitive risk by continually seeking to ensure its products meet the needs of the communities they serve and investing in internet-based services. This investment in digital media by the group is creating promising opportunities for revenue generation.

The group is also exposed to the general economic conditions that affect its advertisers and readers, particularly in the property, motors and employment advertising markets. The group's profitability is also affected by labour and benefit costs, the main operating costs of the group, along with newsprint prices. The ability of the group to flex these costs in line with revenues in the short term is limited.

This report was approved by the Board and signed on its behalf on 28 September 2015.



N Carpenter
Joint Company Secretary

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation amounted to £57,901,000 (2013 £41,481,000 - loss). The year on year increase in profit on ordinary activities after taxation reflects the fact that the group was charged for group relief by its ultimate parent company in the UK, Gannett U.K. Limited in the prior year. No charge for group relief was made in 2014.

Interim dividends of £922,643 on ordinary shares (2013 - £16,217,956) and £4,249 (2013 - £4,249) on cumulative redeemable preference shares were paid in the period. The directors do not recommend a final dividend (2013 - £nil).

DIRECTORS

The directors who served during the period are listed below.

B Dickey	(appointed 21 October 2014)
A Engel	(appointed 29 June 2015)
B Wall	(appointed 29 June 2015)
H Faure Walker	(appointed 1 April 2014)
P A Hunter	
G C Martore	(resigned 29 June 2015)
T Mayman	(resigned 29 June 2015)
V Harker	(resigned 29 June 2015)
P Davidson	(resigned 31 March 2015)

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.

EMPLOYEE PARTICIPATION AND THE ENVIRONMENT

The group 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.

The group is conscious of the importance of good environmental practices and aims for an on-going improvement in the group's environmental performance and to comply with all relevant regulations.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made no political contributions. During the period charitable contributions of £20,116 (2013 - £18,686) were made by members of the group. In addition the group's titles provided editorial support to numerous local charitable initiatives.

The Gannett Foundation is the charitable arm of Gannett Co., Inc., the ultimate parent undertaking of Newsquest Media Group Limited. The Gannett Foundation provides funding to support local organisations. During the year the Gannett Foundation made charitable donations of £269,404 (2013 - £289,911) to projects in the United Kingdom.

DISABLED PERSONS

It is the policy of the group 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' REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report and 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 UK 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 strategic report under the sections principal activities, review of the business and future prospects and principal risks and uncertainties.

The group is expected to continue to generate positive operating cash flows on its own account for the foreseeable future. As a group wholly owned by Gannett Co., Inc. the UK group benefits from long term finance.

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 its immediate parent, 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.

DIRECTORS' REPORT (CONTINUED)

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the Board at the time of approving the Strategic Report and Directors' Report are listed on page 2. 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 28 September 2015.



N Carpenter
Joint Company Secretary

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 period ended 28 December 2014 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets and the related notes 1 to 28. 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 to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 Reports and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and company's affairs as at 28 December 2014 and of the group's profit for the period 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.

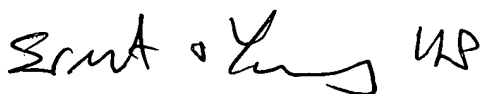
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.



Philip Young (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, (Statutory Auditor)
London

Date 28/9/15

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the 52 weeks ended 28 December 2014

	Notes	2014 £'000	2013 £'000
TURNOVER			
Continuing operations		279,332	288,595
Less: share of turnover of joint ventures		-	(15)
Group turnover	1	279,332	288,580
Cost of sales		(50,412)	(55,881)
GROSS PROFIT		228,920	232,699
Operating expenses		(173,037)	(177,465)
Exceptional restructuring costs		(4,520)	(2,445)
Total operating expenses	2	177,557	179,910
GROUP OPERATING PROFIT			
Continuing operations		51,363	52,786
Group share of operating profits in joint ventures		-	3
TOTAL OPERATING PROFIT	3	51,363	52,789
Profit on disposal of property		1,928	3,498
Interest receivable		48	99
Interest payable and similar charges	6	(448)	(496)
Other finance income	7	5,768	2,599
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		58,659	58,489
Tax charge on profit on ordinary activities	8	(758)	(99,970)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	21	57,901	(41,481)

There is no difference between the profit on ordinary activities before taxation above and their historical cost equivalents.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the 52 weeks ended 28 December 2014

		2014	2013
		£'000	£'000
	Note		
Share of Joint ventures' profit for the year		-	1
Continuing operations		57,901	(41,482)
Group profit/(loss) for the financial year		<u>57,901</u>	<u>(41,481)</u>
Actuarial loss recognised in the pension scheme	23	(38,883)	(41,328)
Movement in deferred tax relating to the pension scheme		<u>5,995</u>	<u>200</u>
Total recognised gains/(losses) since last annual report		<u><u>25,013</u></u>	<u><u>(82,609)</u></u>

CONSOLIDATED BALANCE SHEET
28 December 2014

	Note	£'000	2014 £'000	£'000	2013 £'000
FIXED ASSETS					
Intangible assets	11		245,031		245,031
Tangible assets	12		86,009		93,302
Investments	13		11		21
			<u>331,051</u>		<u>338,354</u>
CURRENT ASSETS					
Stocks	14	1,247		1,649	
Debtors					
amounts falling due after one year		8,240		8,170	
amounts falling due within one year		38,759		39,260	
			<u>46,999</u>	<u>47,430</u>	
Debtors	15	46,999		47,430	
Cash at bank and in hand		3,011		5,038	
			<u>51,257</u>	<u>54,117</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(30,665)		(80,260)	
NET CURRENT ASSETS/(LIABILITIES)			<u>20,592</u>		<u>(26,143)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>351,643</u>		<u>312,211</u>
PROVISIONS FOR LIABILITIES	18		(6,055)		(9,247)
NET ASSETS EXCLUDING PENSION DEFICIT			<u>345,588</u>		<u>302,964</u>
PENSION DEFICIT	23		(129,739)		(109,526)
NET ASSETS			<u><u>215,849</u></u>		<u><u>193,438</u></u>
CAPITAL AND RESERVES					
Called up share capital	20		1		1
Merger reserve	21		1,907		1,907
Pension reserve	21		(229,909)		(197,021)
Profit and loss account	21		443,850		388,551
TOTAL SHAREHOLDERS' FUNDS	21		<u><u>215,849</u></u>		<u><u>193,438</u></u>

The financial statements on pages 6 to 30 were approved by the Board of Directors and were signed on its behalf on 28 September 2015 by:

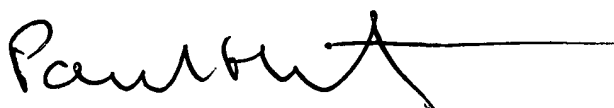


P A Hunter
Director

COMPANY BALANCE SHEET
28 December 2014

	Note	£'000	2014 £'000	2013 £'000
FIXED ASSETS				
Tangible assets	12		4,395	4,398
Investments	13		394,842	397,649
			<u>399,237</u>	<u>402,047</u>
CURRENT ASSETS				
Debtors:				
amounts falling due after one year		110,643	112,248	
amounts falling due within one year		<u>5,172</u>	<u>21,054</u>	
	15	115,815	133,302	
Cash at bank and in hand		<u>968</u>	<u>2,935</u>	
TOTAL CURRENT ASSETS		116,783	136,237	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(9,035)</u>	<u>(85,981)</u>	
NET CURRENT ASSETS			107,748	50,256
TOTAL ASSETS LESS CURRENT LIABILITIES			506,985	452,303
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	17	(65,147)	(28,442)	
PROVISIONS FOR LIABILITIES	18	<u>(277)</u>	<u>(74)</u>	
NET ASSETS			<u>441,561</u>	<u>423,787</u>
CAPITAL AND RESERVES				
Called up share capital	20		1	1
Merger reserve	21		1,907	1,907
Profit and loss account	21		<u>439,653</u>	<u>421,879</u>
TOTAL SHAREHOLDERS' FUNDS	21		<u>441,561</u>	<u>423,787</u>

The financial statements on pages 6 to 30 were approved by the Board of Directors and were signed on its behalf on 28 September 2015 by:



P A Hunter
Director

NOTES TO THE ACCOUNTS**52 weeks ended 28 December 2014****1. ACCOUNTING POLICIES****Basis of preparation**

The consolidated financial statements of Newsquest Media Group Limited and its subsidiaries ('the group') have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

Consolidation and accounting period

This is the first year consolidated accounts have been prepared for Newsquest Media Group Limited and its subsidiaries. In the prior year Newsquest Media Group Limited financial statements presented the results of the Company only as in the prior year the Company took advantage of the exemption in the Companies Act 2006 (s 401) not to present consolidated accounts.

A group reconstruction took place on 26 July 2013 whereby the ownership of Newsquest Media (Southern) Limited and Newsquest Printing (Glasgow) Limited was passed down the group from Gannett U.K. Limited to Newsquest Media Group Limited at their carrying value of £187m by way of capital contribution. This was a group reconstruction rather than an acquisition because all companies are wholly owned subsidiaries of Gannett U.K. Limited. Therefore, the directors consider that to record the group reconstruction as an acquisition by the Company, to attribute fair values to the assets and liabilities of the companies and to reflect only the post reorganisation results within these accounts would fail to give a true and fair view of the group's results and financial position.

Accordingly, having regard to the overriding requirement under section 404(5) of the Companies Act 2006 for the accounts to give a true and fair view of the group's results and financial position the directors have adopted merger accounting principles in drawing up these accounts. These consolidated accounts, therefore, consolidate the financial statements of Newsquest Media Group Limited and all of its subsidiaries, as a result the comparative presents the consolidated results and year end position for the group had consolidated accounts been drawn up for the 52 weeks ending 29 December 2013. At the time of the group reconstruction the combined net assets and reserves of Newsquest Media (Southern) Limited and Newsquest Printing (Glasgow) Limited were approximately £126m. These pre-reconstruction reserves are included in the profit and loss account reserve in the group reconciliation of shareholder's funds.

The group makes up its accounts to the last Sunday of the calendar year. The profit and loss accounts cover the 52 weeks from 30 December 2013 to 28 December 2014 and 52 weeks from 31 December 2012 to 29 December 2013. The balance sheets for 2014 and 2013 have been drawn up at 28 December 2014 and 29 December 2013 respectively.

Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the consolidated accounts, associates are accounted for using the equity method.

Cash flow statement

The company has taken advantage of the exemption given under Financial Reporting Standard 1 (Revised) not to disclose a statement of cash flows as the company is a wholly owned subsidiary of a consolidated entity whose financial statements are publicly available (note 28).

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 service. All turnover is derived from the group's principal activity, being printing and publishing newspapers, and arises in the United Kingdom. Revenues from barter transactions are recognised when the advertisements are published 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.

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

1. ACCOUNTING POLICIES (CONTINUED)

Interest income

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

Development expenditure

Development expenditure incurred on the launch of new titles and the establishment of internet sites is expensed to the profit and loss account as incurred.

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.

Intangible fixed assets

Internally developed intangibles are not carried on the balance sheet. Intangible fixed assets represent publishing rights and related intellectual property, including trade marks. All intangible fixed assets are stated at fair value on acquisition and are not subsequently revalued. On the acquisition of a business, goodwill represents the difference between the purchase consideration and the fair value of the assets acquired.

The directors believe that the company's publishing rights have no finite life and consequently the rights are not amortised.

Intangible assets and goodwill are reviewed for impairment annually, and provision is made for any impairment in value where the recoverable amount is calculated to be below the carrying value. The recoverable amount is the higher of fair value less selling costs and value-in-use. Value in use is based on the net present value of estimated future cash flows discounted at the company's pre-tax weighted average cost of capital. Any impairment loss is recognised as an expense immediately.

Tangible fixed assets and depreciation

Land and buildings, plant and equipment 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 future useful lives, on a straight line basis at rates from 2%-50%. Short leases are written off over the duration of the lease.

The carrying values 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.

Operating leases

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

Stocks

Stocks are stated at the lower of cost and estimated net realisable value on a first in first out basis.

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 28 December 2014

1. ACCOUNTING POLICIES (CONTINUED)

Pensions

The group operates both a defined benefit pension scheme and a defined contribution pension scheme.

In respect of the defined benefit pension schemes for eligible employees the group has adopted FRS 17 'Retirement Benefits' in these financial statements. The valuation of the schemes' liabilities is calculated using the Projected Unit method, with a full valuation performed every three years. Current service costs are charged to operating profit, expected return on the schemes' assets and interest payable on the schemes' liabilities are treated as other financial income and actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

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 23 for further details.

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.

Post retirement medical costs

Certain employees benefit from contracts entitling them to post retirement medical benefits. The costs of post retirement medical benefits are provided for by discounting the expected future costs.

Share-based payments

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 group'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.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts of the period.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

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.

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

1. ACCOUNTING POLICIES (CONTINUED)

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at the date or, where appropriate, at the rate of exchange specified in a matching forward contract or currency swap. Any translation differences arising are dealt with in the profit and loss account.

2. OPERATING EXPENSES

	2014	2013
	£'000	£'000
Selling and distribution costs	51,479	53,509
Administrative expenses	121,558	123,956
Exceptional restructuring costs	4,520	2,445
Total operating expenses	<u>177,557</u>	<u>179,910</u>

3. OPERATING PROFIT

	2014	2013
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets:		
- owned by the group	9,702	7,424
- held under finance leases	996	951
Loss/(profit) on disposal of tangible fixed assets	349	(694)
Rental income	(456)	(340)
Operating lease rentals:		
- land and buildings	3,830	3,824
- plant and equipment	3,351	2,708
Audit fees	278	267

4. STAFF COSTS

	2014	2013
	£'000	£'000
Wages and salaries	109,893	113,695
Social security costs	9,473	9,867
Other pension costs	5,948	6,967
	<u>125,314</u>	<u>130,529</u>

Included in wages and salaries is a total expense for share-based payments of £1,517,000 (2013 - £1,728,000). Recharges for the intrinsic value of options exercised in 2014 of £3,196,000 (2013 - £2,530,000) have been taken directly to reserves.

The average monthly number of employees, including directors, was as follows:

	2014	2013
	Number	Number
Pre-press and printing	372	399
Editorial	1,369	1,386
Marketing and sales	1,409	1,507
Distribution	430	492
Finance and management	349	371
Digital media	68	70
	<u>3,997</u>	<u>4,225</u>

There are also 10,112 (2013 - 11,227) people involved in distribution, who work limited hours to deliver the group's products. The costs of these people are included in staff costs above.

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

5. DIRECTORS' EMOLUMENTS

	2014	2013
	£'000	£'000
Executive Directors' salaries	655	630
Unpaid leave	-	(16)
Taxable benefits	40	33
Performance related payments	338	268
Pension scheme contributions	27	13
	<u>1,060</u>	<u>928</u>

The aggregate emoluments of the highest paid director were £401,505 (2013 - £610,458). During the year the highest paid director did not exercise share options under a long-term incentive scheme. In 2014 pension contributions of £13,240 were made by the Company into a defined contribution scheme on behalf of the highest paid director (2013 - £nil).

One director was a member of the Newsquest Pension Scheme (a defined benefit scheme closed to future accrual) during this year (2013 - one) and two directors benefitted from contributions to the Newsquest stakeholder pension plan (a defined contribution scheme).

At 28 December 2014 the number of directors in respect of whose qualifying services shares in the company's ultimate parent company Gannett Co. Inc. were received or receivable under long-term incentive schemes is seven (2013 - five). Four of the directors exercised share options in the company's ultimate parent undertaking Gannett Co. Inc. during the year (2013 - three).

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2014	2013
	£'000	£'000
Unwind of discount on provisions (note 18)	444	492
Cumulative redeemable preference shares	4	4
	<u>448</u>	<u>496</u>

7. OTHER FINANCE INCOME

	2014	2013
	£'000	£'000
Expected return on pension scheme assets	30,639	24,898
Interest on pension liabilities	(24,871)	(22,299)
Net return	<u>5,768</u>	<u>2,599</u>

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2014	2013
	£'000	£'000
Analysis of charge in the period:		
Current tax:		
UK Corporation tax at 21.50% (2013 – 23.25%)	-	29,898
Adjustment in respect of prior periods	(115)	74,487
Joint ventures tax	-	1
Total current tax (see below)	<u>(115)</u>	<u>104,386</u>
Deferred taxation:		
Origination and reversal of timing differences	213	(4,850)
Adjustment in respect of prior periods	(283)	(140)
Change in the rate of corporation tax	-	456
Pension deficit timing difference	943	118
	<u>873</u>	<u>(4,416)</u>
	<u>758</u>	<u>99,970</u>

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

	2014	2013
	£'000	£'000
Analysis of charge in the period:		
Profit on ordinary activities before taxation	<u>58,659</u>	<u>58,489</u>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 21.50% (2013 – 23.25%)	12,612	13,599
Expenses not deductible for tax purposes	459	(603)
Other timing differences	(650)	403
Losses carried forward	-	184
Timing differences relating to pensions	(3,965)	(2,626)
Capital allowances in the period in excess of depreciation	1,149	1,235
Adjustment to charge in respect of previous periods	(115)	74,487
Payment for group relief in excess of tax rate	-	22,947
Utilisation of tax losses	<u>(9,605)</u>	<u>(5,240)</u>
	<u>(115)</u>	<u>104,386</u>

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. In 2013 the adjustment in respect of previous periods reflects the fact that Gannett U.K. Limited charged for group relief in 2013 and 2012. No charge was made for 2014 group relief.

The standard rate of Corporation Tax in the UK reduced from 23% to 21% with effect from 1 April 2014. Accordingly the Company's profits for this accounting period are taxed at an effective rate of 21.50%. The standard rate will fall further to 20% with effect from 1 April 2015. These rates were enacted at the Balance Sheet date and as such any deferred tax balances have been calculated to take into account the reduced corporation tax rates.

The summer budget announced on 8 July 2015 included reductions in the rate of UK corporation tax rates from 20% to 19% and 18% effective from 1 April 2017 and 1 April 2020 respectively. These changes are expected to be enacted within the Finance Bill 2015 in October 2015. The announced reductions will not give rise to a significant impact on these financial statements.

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

9. DIVIDENDS

	2014 £'000	2013 £'000
Interim dividends £726.49 per share (2013: £12,770.83 per share)	923	16,218

The dividends paid on the preference shares of £4,249 (2013 - £4,249) are included within interest payable and similar charges (note 6).

10. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

As permitted by section 408(4) of the Companies Act 2006, the profit and loss account of the company is not presented as part of these financial statements. The parent company's profit on ordinary activities after taxation for the financial period was £19,320,000 (2013 - £123,195,000).

11. INTANGIBLE ASSETS

	Trade marks £'000	Publishing rights £'000	Total £'000
Cost			
At 28 December 2014 and 29 December 2013	837	1,657,843	1,658,680
Amortisation			
At 28 December 2014 and 29 December 2013	837	1,412,812	1,413,649
Net book value			
At 28 December 2014 and 29 December 2013	-	245,031	245,031

12. TANGIBLE ASSETS

Group	Land and buildings £'000	Plant and equipment £'000	Construction in progress £'000	Total £'000
Cost				
At 30 December 2013	80,653	86,542	64	167,259
Additions	732	3,326	445	4,503
Disposals	(449)	(14,088)	-	(14,537)
Reclassifications	-	509	(509)	-
At 28 December 2014	80,936	76,289	-	157,225
Accumulated depreciation				
At 30 December 2013	26,479	47,478	-	73,957
Charge for the period	4,272	6,426	-	10,698
Disposals	(192)	(13,247)	-	(13,439)
At 28 December 2014	30,559	40,657	-	71,216
Net book value				
At 28 December 2014	50,377	35,632	-	86,009
At 29 December 2013	54,174	39,064	64	93,302

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

12. TANGIBLE ASSETS (CONTINUED)

The net book value of land and buildings stated at cost comprises:

	2014	2013
	£'000	£'000
Land and freehold property	40,900	40,212
Leasehold property, more than 50 years unexpired	9,347	11,187
Leasehold property, less than 50 years unexpired	130	2,775
	<u>50,377</u>	<u>54,174</u>

Included in land and buildings is land with a cost of £6,094,000 (2013 - £6,125,000) which is not depreciated.

In the comparative net book value of plant and equipment includes £64,000 of plant and equipment in the course of construction (2014 - £nil).

Included within plant and equipment are leased assets with a net book value of £3,448,000 (2013 - £3,204,000).

Company

	Land and buildings £'000	Plant and equipment £'000	Construction in Progress £'000	Total £'000
Cost				
At 30 December 2013	3,422	4,887	22	8,331
Additions	-	518	-	518
Disposals	-	(532)	-	(532)
Transfer from group company	-	13	-	13
Reclassifications	-	22	(22)	-
At 28 December 2014	<u>3,422</u>	<u>4,908</u>	<u>-</u>	<u>8,330</u>
Depreciation				
At 30 December 2013	456	3,477	-	3,933
Charge for the period	41	473	-	514
Disposals	-	(519)	-	(519)
Transfer from group company	-	7	-	7
At 28 December 2014	<u>497</u>	<u>3,438</u>	<u>-</u>	<u>3,935</u>
Net book value				
At 28 December 2014	<u>2,925</u>	<u>1,470</u>	<u>-</u>	<u>4,395</u>
At 29 December 2013	<u>2,966</u>	<u>1,410</u>	<u>22</u>	<u>4,398</u>

Land and buildings comprises freehold land and buildings with a book value of £2,925,000 (2013 - £2,966,000), within which freehold land amounts to £1,133,000 (2013 - £1,133,000). Also, included within plant and equipment are leased assets with a net book value of £66,000 (2013 - £92,000).

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

13. INVESTMENTS

Group	2014	2013
	£'000	£'000
Joint ventures (a)	9	19
Other fixed asset investments (b)	2	2
	<u>11</u>	<u>21</u>

(a) Joint ventures

	£'000
At 30 December 2013	19
Share of joint venture retained losses net of retained profits	-
Dividends received	(10)
At 28 December 2014	<u>9</u>

The group has a 50% interest in the £1 ordinary shares of Classified Periodicals Limited. The principal activity of the company during the period was newspaper publishing.

The share of group results for its joint venture is based on unaudited management accounts for the year ended 28 December 2014.

(b) Other fixed asset investments

	£'000
Cost and net book value	
At 28 December 2014 and 29 December 2013	<u>2</u>

Other investments include listed companies which had a market value at 28 December 2014 of £4,091 (2013 - £5,288).

Company	Investments in subsidiary undertakings
	£'000
Cost	
At 28 December 2014	<u>759,214</u>
Provisions	
At 30 December 2013	361,565
Charge for the period	2,807
At 28 December 2014	<u>364,372</u>
Net book value	
At 28 December 2014	<u>394,842</u>
At 29 December 2013	<u>397,649</u>

During the year dormant subsidiary undertakings distributed up £2.807m to Newsquest Media Group Limited which reduced their net assets by £2.807m. Following the distributions the Company has reflected the reduction in the value of its investment in these dormant subsidiaries.

The major wholly owned subsidiary companies of Newsquest Media Group Limited (all of which are incorporated in Great Britain and registered in England and Wales except for Newsquest (Herald & Times) Limited which is registered in Scotland) at 28 December 2014 and which are consolidated in these accounts were as follows:

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

13. INVESTMENTS (CONTINUED)

Name of company	Nature of business
Newsquest (Yorkshire & North East) Limited	Publishing
Newsquest (Essex) Limited	Publishing
Newsquest Specialist Media Limited*	Publishing
Newsquest (Herald & Times) Limited*	Printing and 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
Newsquest Media (Southern) Limited	Printing and publishing
Sopress Investments Limited*	Investment holding company
Newsquest Printing (Glasgow) Limited	Dormant holding company

*Owned indirectly by the company.

14. STOCKS

	Group	
	2014	2013
	£'000	£'000
Raw materials and consumables	1,247	1,649

15. DEBTORS

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade debtors	31,304	31,933	168	202
Amounts due from group undertakings	-	-	107,448	123,627
Other taxation and social security	-	-	1,334	1,627
Other debtors	8,934	8,767	4,100	4,746
Prepayments and accrued income	6,761	6,730	2,765	3,100
	<u>46,999</u>	<u>47,430</u>	<u>115,815</u>	<u>133,302</u>

Other debtors for the group and the company respectively include a deferred tax asset of £8,240,000 (2013 - £8,170,000) (note 19) and £3,575,000 (2013 - £4,295,000) which are both recoverable in more than year.

Amounts falling due after more than one year for the company included above are:

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Amounts due from group undertakings	-	-	107,068	107,953
Other debtors – deferred tax asset	8,240	8,170	3,575	4,295
	<u>8,240</u>	<u>8,170</u>	<u>110,643</u>	<u>112,248</u>

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade creditors	3,863	3,701	718	1,032
Amounts owed to group undertakings	56	50,615	4,172	80,546
Other taxation and social security	8,257	8,456	-	-
Other creditors	2,736	3,086	214	591
Accruals and deferred income	15,753	14,402	3,931	3,812
	<u>30,665</u>	<u>80,260</u>	<u>9,035</u>	<u>85,981</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

Company	2014	2013
	£'000	£'000
Cumulative preference shares	425	425
Amounts owed to group undertakings	64,722	28,017
	<u>65,147</u>	<u>28,442</u>

18. PROVISIONS FOR LIABILITIES

Group	Post retirement medical costs	Leasehold property	Total
	£'000	£'000	£'000
At 30 December 2013	1,590	7,657	9,247
Utilised	(63)	(2,221)	(2,284)
Release in the period	(174)	(1,178)	(1,352)
Unwind of discount on provisions (note 6)	69	375	444
At 28 December 2014	<u>1,422</u>	<u>4,633</u>	<u>6,055</u>

The leasehold property provision is expected to be utilised over the term of the leases to which it relates.

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.

Company	Post retirement medical costs	Leasehold property	Total
	£'000	£'000	£'000
At 30 December 2013	64	10	74
Utilised	(8)	-	(8)
(Release)/charge in the period	(6)	214	208
Unwind of discount on provisions	3	-	3
At 28 December 2014	<u>53</u>	<u>224</u>	<u>277</u>

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

18. PROVISIONS FOR LIABILITIES (CONTINUED)

The leasehold property provision is expected to be utilised over the term of the leases to which it relates.

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.

19. DEFERRED TAXATION

Group

Deferred tax is recognised as follows:

	Deferred taxation on pension liability (note 23) £'000	Other Deferred taxation (note 15) £'000	Total £'000
At 30 December 2013	(27,382)	(8,170)	(35,552)
Movement in statement of total recognised gains and losses	(5,995)	-	(5,995)
Charge in the period	943	(70)	873
At 28 December 2014	(32,434)	(8,240)	(40,674)

The deferred tax liabilities and (assets) can be analysed as follows:

	Provided		Unprovided	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Capital allowances in excess of depreciation	(3,543)	(2,248)	-	-
Other timing differences	(3,064)	(4,368)	-	-
Share based payments	(1,633)	(1,554)	-	-
Rolled over capital gains	-	-	1,707	1,737
Capital losses carried forward	-	-	(4,538)	(4,552)
Losses carried forward	-	-	(220)	(157)
	(8,240)	(8,170)	(3,051)	(2,972)
Pension liability	(32,434)	(27,382)	-	-
	(40,674)	(35,552)	(3,051)	(2,972)

The recoverability of deferred tax assets recognised on pensions and other timing differences has been estimated with regard to future forecast taxable profits. Deferred tax assets have been recognised in respect to these timing differences as they have arisen in subsidiaries which are profitable and are forecast to generate profits in future. Deferred tax assets have not been recognised on losses as they may not be used to offset future taxable profits elsewhere in the group and have arisen in subsidiaries that have been loss making for some time.

No provision has been made for deferred tax where potentially taxable gains have been rolled over into replacement assets. Such gains would become taxable only if the assets were sold without it being possible to claim rollover relief. The amount not provided is £1.7 million. At present, it is not envisaged that any tax will become payable in the foreseeable future.

Company

	Deferred tax asset £'000
At 30 December 2013	4,295
Charge for the period	(720)
At 28 December 2014	3,575

The deferred tax asset is included in other debtors (note 15).

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

19. DEFERRED TAXATION (CONTINUED)

The deferred tax asset recognised can be analysed as follows:

	2014 £'000	2013 £'000
Capital allowances in excess of depreciation	682	572
Other timing differences	2,102	3,118
Share based payments	791	605
	<u>3,575</u>	<u>4,295</u>

There is no other unprovided deferred tax.

20. SHARE CAPITAL

	2014		2013	
	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.

	2014		2013	
	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 17) and accordingly are excluded from called-up share capital in the balance sheet.

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

21. RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENTS ON RESERVES

Group	Share capital £'000	Merger Reserve £'000	Profit and loss account £'000	Pension reserve £'000	Total £'000
At 31 December 2012	1	1,907	259,680	(155,893)	105,695
Loss for the year	-	-	(41,481)	-	(41,481)
Share-based payment	-	-	1,728	-	1,728
Dividends	-	-	(16,218)	-	(16,218)
Actuarial loss on pension scheme	-	-	-	(41,328)	(41,328)
Movement on deferred tax benefit relating to the pension scheme	-	-	-	200	200
Payment to ultimate parent in respect of shares exercised	-	-	(2,530)	-	(2,530)
Capital contribution	-	-	187,372	-	187,372
At 29 December 2013	1	1,907	388,551	(197,021)	193,438
Profit for the year	-	-	57,901	-	57,901
Share-based payment	-	-	1,517	-	1,517
Dividends	-	-	(923)	-	(923)
Actuarial loss on pension scheme	-	-	-	(38,883)	(38,883)
Movement on deferred tax benefit relating to the pension scheme	-	-	-	5,995	5,995
Payment to ultimate parent in respect of shares exercised	-	-	(3,196)	-	(3,196)
At 28 December 2014	1	1,907	443,850	(229,909)	215,849

	Share capital £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
Company				
As at 31 December 2012	1	1,907	128,303	130,211
Profit for the period	-	-	123,195	123,195
Share-based payment	-	-	797	797
Payment to ultimate parent in respect of shares exercised	-	-	(1,570)	(1,570)
Dividends declared and paid	-	-	(16,218)	(16,218)
Capital contribution	-	-	187,372	187,372
As at 29 December 2013	1	1,907	421,879	423,787
Profit for the period	-	-	19,320	19,320
Share-based payment	-	-	722	722
Payment to ultimate parent in respect of shares exercised	-	-	(1,345)	(1,345)
Dividends declared and paid	-	-	(923)	(923)
At 28 December 2014	1	1,907	439,653	441,561

In the previous year the Company received a capital contribution from its parent undertaking of £187,372,000 which is currently not distributable (see note 1).

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

22. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

Group	Land and buildings		Other	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Operating leases which expire:				
- within one year	468	737	17	43
- between two and five years	1,396	1,624	2,795	1,380
- over five years	1,393	1,438	318	998
	<u>3,257</u>	<u>3,799</u>	<u>3,130</u>	<u>2,421</u>

At 28 December 2014 the Group had no capital commitments contracted but not provided for (2013 - £94,000).

Company

	Land and buildings		Other	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Operating leases which expire:				
- within one year	-	-	-	-
- between two and five years	87	87	2,792	1,377
- over five years	-	-	318	998
	<u>87</u>	<u>87</u>	<u>3,110</u>	<u>2,375</u>

At 28 December 2014 the Company had no capital commitments contracted but not provided for (2013 - £nil).

23. PENSION SCHEMES

Following consultation the Newsquest Pension Scheme (the Scheme) ceased the future accrual of pension benefits with effect from 31 March 2011. The Scheme, a funded defined benefit pension scheme, continues to operate to pay retired employees their pensions. The trustees of the Newsquest Pension Scheme are responsible for the investment of the Scheme's assets, which are held separately from the group. The principal employer of the Scheme is Newsquest Media Group Limited (the Company).

During the year the group made contributions of £8,905,000 (2013 - £22,522,670) based on a schedule of contributions agreed between the Company and the Trustees for the period from 1 September 2011 to 30 September 2019. Contributions in 2013 include deferred contributions plus interest from 2012 and 2011.

The principal assumptions used by the independent qualified actuaries in valuing the Scheme at 28 December 2014, 29 December 2013, 30 December 2012, 25 December 2011 and 26 December 2010

	2014	2013	2012	2011	2010
	% per annum	% per annum	% per annum	% per annum	% per annum
Discount rate	3.70	4.50	4.60	5.00	5.50
Expected return on equities	7.30	8.60	7.70	7.70	9.00
Expected return on bonds	3.40	4.40	4.10	4.10	4.80
Salary increases	0.00	0.00	0.00	0.00	0.00
Price inflation	3.10	3.40	2.80	3.00	3.30
Pension increases in payment	3.00	3.30	2.70	2.90	3.20

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

23. PENSION SCHEMES (CONTINUED)

2014 2013

Future life expectancy for a pensioner currently aged 65

- male

22.6 22.6

- female

24.7 24.5

Future life expectancy from age 65 for a pensioner who retires in 15 years and is currently aged 50

- male

22.6 22.6

- female

25.2 25.1

The fair values of assets and liabilities in the scheme and the expected rates on return on investments as at 28 December 2014, 29 December 2013, 30 December 2012, 25 December 2011 and 26 December 2010:

	Expected rate of return %					Values as at period ended				
	2014	2013	2012	2011	2010	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Equities	7.3%	8.6%	7.7%	7.7%	9.0%	174,406	181,432	155,585	145,044	144,672
Bonds	3.4%	4.4%	4.1%	4.1%	4.8%	65,697	75,844	73,893	75,594	70,331
Property	7.2%	7.5%	6.9%	7.0%	7.3%	70,306	92,304	60,234	60,044	58,501
Cash	-	-	-	-	-	5,839	11,035	12,856	12,748	34,257
Hedge funds & currency	7.3%	8.6%	7.7%	7.7%	9.0%	145,165	63,491	72,354	66,140	73,062
Market value of assets						461,413	424,106	374,922	359,570	380,823
Present value of liabilities						(623,586)	(561,014)	(493,616)	(457,907)	(439,865)
Scheme deficit						(162,173)	(136,908)	(118,694)	(98,337)	(59,042)
Related deferred tax asset						32,434	27,382	27,300	24,584	15,941
Net pension liability						(129,739)	(109,526)	(91,394)	(73,753)	(43,101)

The rate of return on each class of asset was determined as follows:

- Gilt return based on the yield of over 15 years index-linked gilts. At 28 December 2014 this gives a return on gilts of 2.4% per annum assuming inflation of 3.1% per annum;
- Equity risk premium (i.e. in excess of the over 20 year gilt yield of 2.38% per annum) of 4.9% per annum. This is applied to the Scheme's alternative assets as well as its equity holdings;
- Property real return of 4.0% per annum assuming inflation of 3.1% per annum; and
- Corporate bond return based on AA corporate bond iBoxx (over 15 year) index with no allowance for defaults.

The following amounts have been recognised in the performance statements in the years 28 December 2014, 29 December 2013, 30 December 2012, 25 December 2011 and 26 December 2010:

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23. PENSION SCHEMES (CONTINUED)

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Operating profit					
Employer's current service cost and total operating charge	1,055	2,008	1,497	1,024	6,537
Curtailment gain	-	-	-	-	(7,677)
	<u>1,055</u>	<u>2,008</u>	<u>1,497</u>	<u>1,024</u>	<u>(1,140)</u>

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Other finance income					
Expected return on pension scheme assets	30,639	24,898	24,719	28,241	26,673
Interest on pension liabilities	(24,871)	(22,299)	(22,477)	(23,585)	(23,532)
Net return	<u>5,768</u>	<u>2,599</u>	<u>2,242</u>	<u>4,656</u>	<u>3,141</u>

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Statement of total recognised gains and losses ("STRGL")					
Actual return less expected return on schemes' assets	15,461	21,494	3,504	(31,054)	3,795
Experience gains/(losses) arising on the schemes' liabilities	117	97	(7,718)	210	280
Changes in assumptions underlying the schemes' liabilities	(54,461)	(62,919)	(22,248)	(14,533)	(12,006)
Actuarial loss recognised in the STRGL	<u>(38,883)</u>	<u>(41,328)</u>	<u>(26,462)</u>	<u>(45,377)</u>	<u>(7,931)</u>

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Movement in deficit during the year					
Deficit in the Scheme at beginning of period	(136,908)	(118,694)	(98,337)	(59,042)	(72,564)
Movement in the year:					
Employer's current service cost	(1,055)	(2,008)	(1,497)	(1,024)	(6,537)
Curtailment benefit	-	-	-	-	7,677
Employer's contributions	8,905	22,523	5,360	2,450	17,172
Other finance income	5,768	2,599	2,242	4,656	3,141
Actuarial loss	(38,883)	(41,328)	(26,462)	(45,377)	(7,931)
Deficit in the Scheme at end of the period	<u>(162,173)</u>	<u>(136,908)</u>	<u>(118,694)</u>	<u>(98,337)</u>	<u>(59,042)</u>

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

23. PENSION SCHEMES (CONTINUED)

Details of experience gains and losses for the year to 28 December 2014, 29 December 2013, 30 December 2012, 25 December 2011 and 26 December 2010 are as follows:

Newsquest Pension Scheme	2014	2013	2012	2011	2010
Difference between the expected and actual return on scheme assets:					
Amount £'000	15,461	21,494	3,504	(31,054)	3,795
Percentage of scheme assets	3.35%	5.07%	9.35%	(8.64%)	1.00%
Experience (losses)/gains on scheme liabilities:					
Amount £'000	117	97	(7,718)	210	280
Percentage of the present value of the scheme liabilities	0.02%	0.02%	(1.56%)	0.05%	0.06%
Total amount recognised in statement of total recognised gains and losses:					
Amount £'000	(38,883)	(41,328)	(26,462)	(45,377)	(7,931)
Percentage of the present value of the scheme liabilities	(6.23%)	(7.36%)	(5.40%)	(9.90%)	(1.80%)

The group has fully adopted FRS17 "Retirement Benefits".

The company has taken advantage of the exemption permitted by paragraph 9 (b) of FRS17 and will account 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.

In addition the group operates 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 £4,893,050 (2013 - £4,958,987).

24. 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) £295m.

25. SHARE-BASED PAYMENTS

Employee Share Option Plan

The group 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 8 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.

NEWSQUEST MEDIA GROUP LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 28 December 2014

25. SHARE-BASED PAYMENTS (CONTINUED)

Employee Share Option Plan (continued)

	2014 No.	2014 WAEP	2013 No.	2013 WAEP
Outstanding at 30 December 2013 and 31 December 2012	628,473	\$32.91	1,342,508	\$44.04
Forfeited during the year	(154,256)	\$58.92	(488,488)	\$72.67
Exercised ¹	(140,024)	\$14.46	(225,547)	\$13.04
Outstanding at 28 December 2014 ² and 29 December 2013	<u>334,193</u>	<u>\$28.63</u>	<u>628,473</u>	<u>\$32.91</u>
Exercisable at 28 December 2014 and 29 December 2013	<u>330,381</u>	<u>\$28.77</u>	<u>570,763</u>	<u>\$34.64</u>

¹ The weighted average share price at the date of exercise for the options exercised is \$30.50 (2013 - \$22.61).

² For the share options outstanding at 28 December 2014, the weighted average remaining contractual life is 2.22 years (2013: 2.98 years).

The range of exercise prices for options outstanding at the end of 2013 and 2014 was \$7.53 - \$61.70.

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.

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 price at which the awards were granted (WASP) and movements in share awards during the year.

	2014 No.	2014 WASP*	2013 No.	2013 WASP*
Outstanding at 30 December 2013 and 31 December 2012	4,925	\$15.83	6,950	\$11.35
Granted during the year ²	-	-	1,075	\$26.15
Forfeited during the year	(515)	\$17.95	-	-
Settled ¹	(1,800)	\$12.08	(3,100)	\$9.36
Outstanding at 28 December 2014 and 29 December 2013	<u>2,610</u>	<u>\$18.00</u>	<u>4,925</u>	<u>\$15.83</u>

*The weighted average share price (WASP) is the share price at the time the Chairman's Awards were granted, averaged over the number of shares outstanding at the balance sheet date.

¹ The weighted average share price at the date of settlement of the awards was \$31.06 (2013 - \$25.58).

² The weighted average fair value of Chairman's Awards granted in 2013 was \$23.05 (2014 - \$nil).

Restricted stock

Restricted stock grants 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 vests 4 years after the grant date.

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

25. SHARE-BASED PAYMENTS (CONTINUED)

Restricted stock (continued)

	2014 No.	2014 WASP*	2013 No.	2013 WASP*
Outstanding at 30 December 2013 and 31 December 2012	390,471	\$15.57	299,206	\$13.82
Granted during the year ²	79,273	\$29.58	159,498	\$18.01
Forfeited during the year	(38,280)	\$17.26	(14,470)	\$15.01
Settled ¹	(71,047)	\$15.57	(53,763)	\$13.19
Outstanding at 28 December 2014 and 29 December 2013	<u>360,417</u>	<u>\$18.48</u>	<u>390,471</u>	<u>\$15.57</u>

*The weighted average share price (WASP) is the share price at the time the Restricted stock was granted, averaged over the number of shares outstanding at the balance sheet date.

¹ The weighted average share price at the date of settlement of the Restricted stock was \$31.27 (2013 \$25.98).

² The weighted average fair value of Restricted stock granted in 2014 was \$26.49 (2013 - \$14.85).

Performance Shares

Performance shares are discretionary shares awarded to certain individuals out of the 2001 Omnibus Incentive Compensation Plan. The number of Performance Shares the employee will ultimately be entitled to receive will be calculated based on multiplying the employee's target number of performance shares by the applicable percentage determined on how Gannett Co., Inc.'s total shareholder return compares to the total shareholder return of the comparator companies during the incentive period. 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 3 years after the grant date.

	2014 No.	2014 WASP*	2013 No.	2013 WASP*
Outstanding at 30 December 2013 and 31 December 2012	120,532	\$15.54	69,462	\$13.37
Granted during the year	22,592	\$29.58	51,070	\$18.49
Forfeited	(5,514)	\$16.39	-	-
Outstanding at 28 December 2014 and 29 December 2013	<u>137,610</u>	<u>\$17.81</u>	<u>120,532</u>	<u>\$15.54</u>

*The weighted average share price (WASP) is the share price at the time the Performance shares were granted, averaged over the number of shares outstanding at the balance sheet date.

The weighted average fair value of Performance shares granted in 2014 was \$37.31 (2013 - \$20.12).

26. SUBSEQUENT EVENTS

On 22 May 2015 the Company acquired the share capital of Romanes Media Group Limited for cash consideration of £15.2m. Net assets of approximately £1.6m were acquired. The group has operations in South West Scotland, Berkshire England and Northern Ireland. The turnover of Romanes Media Group Limited for the year to 28 September 2014 was £18m and operating profit £2.9m.

27. 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 on the grounds that it is wholly owned.

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2014

28. 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 intermediate parent and controlling company in the United Kingdom is Gannett U.K. Limited, a company incorporated in Great Britain and registered in England and Wales. The consolidated financial accounts of Gannett Co., Inc., comprise the largest group of which the company is a member that prepares 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, USA.