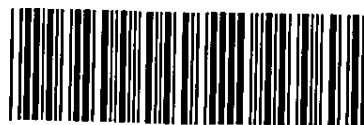


NEWSQUEST (LEEDS) LIMITED

**Directors' Report and Financial Statements
for the 52 weeks ended 30 December 2007**

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REPORT AND FINANCIAL STATEMENTS 2007

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DIRECTORS' REPORT

The directors present their report and the financial statements for the 52 weeks ended 30 December 2007

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The company's principal activity continues to be that of publishing local news and information

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

| | *52 weeks 2007 £'000 | *53 weeks 2006 £'000 | Change |
|------------------|-------------------------------------|-------------------------------------|---------------|
| Turnover | 321 | 350 | (8.3%) |
| Operating profit | 52 | 58 | (10.3%) |
| Operating margin | 16.2% | 16.6% | (0.4) pts |

*The profit and loss accounts cover the 52 weeks from 1 January 2007 to 30 December 2007 and the 53 weeks from 26 December 2005 to 31 December 2006

Turnover represents revenue generated from the company's principal activity. In particular, newspaper advertising revenues from property, motors and employment declined in the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The company 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 company's ability to grow revenues.

The company manages this competitive risk by continually seeking to ensure its products meet the needs of the communities they serve.

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

The risks and uncertainties facing the company are linked to those of its fellow subsidiaries in the UK. The current results reflect the benefits arising from the relationship with fellow subsidiaries in terms of financing, purchasing efficiency, disaster recovery and information technology.

RESULTS AND DIVIDENDS

The profit for the period after taxation was £41,000 (2006 - £160,000)

The company paid interim dividends of £719,724 (2006 - £nil). The directors do not recommend the payment of a final dividend (2006 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the period are listed below:

P Davidson
P Hunter

None of the directors had any interest in the shares of the company.

DIRECTORS' REPORT

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, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in place as at the date of approving the directors' report.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Details of political and charitable contributions are contained in the accounts of Gannett U.K. Limited.

EMPLOYEE PARTICIPATION AND THE ENVIRONMENT

Employee participation processes have continued throughout the period. Such processes 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.

The company is conscious of the importance of good environmental practices and aims for an on-going improvement in the company's environmental performance and to comply with all relevant regulations. In 2007 the actual recycled content of newsprint used in the production of newspapers by the industry was 79.0%.

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 financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Company law requires the directors to prepare such financial statements for each financial period which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors confirm they have

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that are reasonable and prudent,
- stated whether applicable accounting standards have been followed,
- prepared 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

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

AUDITORS

In accordance with the provisions of Section 386 of the Companies Act 1985, the company has dispensed with the obligation to appoint auditors annually

This report was approved by the Board on 9 June 2008 and signed on its behalf



N Carpenter
Joint Company Secretary

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEWSQUEST
(LEEDS) LIMITED**

We have audited the company's financial statements for the 52 weeks ended 30 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

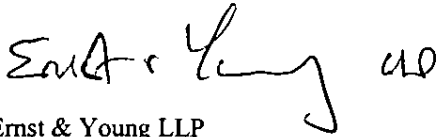
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 December 2007 and of its profit for the 52 weeks then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.


Ernst & Young LLP
Registered auditor
London

Date

13/6/08

PROFIT AND LOSS ACCOUNT

For the 52 weeks ended 30 December 2007 (note 1)

| | Note | 52 weeks ended 30 December 2007 £'000 | 53 weeks ended 31 December 2006 £'000 |
|--|------|---|---|
| TURNOVER | 1,2 | 321 | 350 |
| Cost of sales | | (147) | (177) |
| GROSS PROFIT | | 174 | 173 |
| Operating expenses | 3 | (122) | (115) |
| OPERATING PROFIT | 4 | 52 | 58 |
| Interest receivable | 6 | 91 | 103 |
| Interest payable | 7 | (17) | - |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 126 | 161 |
| Tax charge on profit on ordinary activities | 8 | (85) | (1) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 14 | 41 | 160 |

All the above transactions relate to 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 (LEEDS) LIMITED

BALANCE SHEET
30 December 2007 (note 1)

| | Note | £'000 | 2007 £'000 | 2006 £'000 |
|---|------|-------|---------------|---------------|
| FIXED ASSETS | | | | |
| Intangible Assets | 9 | | 20 | 20 |
| CURRENT ASSETS | | | | |
| Debtors | 10 | 810 | 1,454 | |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 11 | (38) | (3) | |
| NET CURRENT ASSETS | | | 772 | 1,451 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 792 | 1,471 |
| PROVISIONS FOR LIABILITIES | 12 | | (1) | (1) |
| NET ASSETS | | | 791 | 1,470 |
| CAPITAL AND RESERVES | | | | |
| Called up share capital | 13 | | - | - |
| Share premium account | 14 | | 750 | 750 |
| Profit and loss account | 14 | | 41 | 720 |
| SHAREHOLDERS' FUNDS | 14 | | 791 | 1,470 |

The financial statements on pages 5 to 12 were approved by the Board on 9 June 2008 and signed on its behalf



P Hunter
Director

NOTES TO THE ACCOUNTS

52 weeks ended 30 December 2007

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 1 January 2007 to 30 December 2007 and 53 weeks from 26 December 2005 to 31 December 2006. The balance sheets for 2007 and 2006 have been drawn up at 30 December 2007 and 31 December 2006 respectively.

Turnover

Turnover represents the invoiced value of sales, excluding Value Added Tax. Advertising revenues are recognised upon publication of the relevant newspaper. Other revenue including digital revenue is recognised on publication or provision of service.

Intangible fixed assets

Internally developed intangibles are not carried on the balance sheet. Intangible fixed assets represent publishing rights, which are stated at fair value on acquisition. Intangible fixed assets are not subsequently revalued.

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

Intangible assets 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 the fair value less selling costs and the 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.

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.

Cash flow statement

At 30 December 2007 the company was a wholly owned subsidiary and the consolidated financial statements in which the company is included are publicly available (note 18). Therefore, a cash flow statement is not required under Financial Reporting Standard 1 (revised).

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 16 for further details.

NOTES TO THE ACCOUNTS
52 weeks ended 30 December 2007

1. ACCOUNTING POLICIES (CONTINUED)

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.

2. TURNOVER

The whole of the turnover is attributable to the principal activity of the company, being the publishing of local news and information, and arises in the United Kingdom.

3. OPERATING EXPENSES

| | 52 weeks ended 30 December 2007 £'000 | 53 weeks ended 31 December 2006 £'000 |
|--------------------------------|---|---|
| Selling and distribution costs | 107 | 101 |
| Administrative expenses | 15 | 14 |
| | <u>122</u> | <u>115</u> |

4. OPERATING PROFIT

The operating profit is stated after charging

| | 52 weeks ended 30 December 2007 £'000 | 53 weeks ended 31 December 2006 £'000 |
|-------------------|---|---|
| Management charge | <u>3</u> | <u>4</u> |

Recharges for audit services for the entire Gannett U K Limited group totalling £260,000 (2006 - £252,000) were borne by Newsquest Media Group Limited in the current and prior period. The company has paid its allocation of the audit fees through the management charge.

5. STAFF COSTS

Staff costs were as follows

| | 52 weeks ended 30 December 2007 £'000 | 53 weeks ended 31 December 2006 £'000 |
|-----------------------|---|---|
| Wages and salaries | 143 | 141 |
| Social security costs | 8 | 8 |
| Pension costs | 5 | 2 |
| | <u>156</u> | <u>151</u> |

NOTES TO THE ACCOUNTS

52 weeks ended 30 December 2007

5. STAFF COSTS (CONTINUED)

The average monthly number of employees, including directors, during the period was 4 (2006 – 5)

There are also 76 (2006 – 72) people involved in distribution who work limited hours to deliver the company's products. The costs of these people are included in staff costs above.

Directors' remuneration in 2007 was £nil (2006 - £nil). All emoluments and pension payments made by related companies to directors are dealt with in the accounts of Newsquest Media Group Limited.

6. INTEREST RECEIVABLE

| | 52 weeks ended 30 December 2007 £'000 | 53 weeks ended 31 December 2006 £'000 |
|--|---|---|
| Interest receivable from group undertaking | 91 | 103 |

7. INTEREST PAYABLE

| | 52 weeks ended 30 December 2007 £'000 | 53 weeks ended 31 December 2006 £'000 |
|---------------------------------------|---|---|
| Interest payable to group undertaking | 17 | - |

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

| | 52 weeks ended 30 December 2007 £'000 | 53 weeks ended 31 December 2006 £'000 |
|--|---|---|
| Analysis of charge in the period: | | |
| Current tax | | |
| UK Corporation tax at 30% (2006 – 30%) | 38 | - |
| Adjustment in respect of prior periods | 47 | - |
| Total current tax (see below) | 85 | - |
| Deferred taxation | | |
| Origination and reversal of timing differences | - | 1 |
| | 85 | 1 |

NOTES TO THE ACCOUNTS

52 weeks ended 30 December 2007

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The tax charge for the period is higher than the standard rate of corporation tax in the UK (30%) The differences are explained below

| | 2007 £'000 | 2006 £'000 |
|---|---------------|---------------|
| Analysis of charge in the period: | | |
| Profit on ordinary activities before taxation | 126 | 161 |
| Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2006 - 30%) | 38 | 48 |
| Utilisation of tax losses | - | (48) |
| Adjustment in respect of prior periods | 47 | - |
| | 85 | - |

Tax losses arising within the Gannett UK Limited group of companies are relieved amongst group companies The principal factor that may affect tax charges 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

The UK corporation tax rate will decrease from 30% to 28% from 1 April 2008 This rate change will affect the amount of future cash tax payments to be made by the company The deferred tax balance has been adjusted in the current year to reflect this change Changes to the UK capital allowance regime will also impact the capital allowances the company can claim

9. INTANGIBLE ASSETS

| | Publishing rights and titles £'000 |
|--|---|
| Cost and net book value | |
| At 30 December 2007 and 31 December 2006 | 20 |

10. DEBTORS

| | 2007 £'000 | 2006 £'000 |
|------------------------------------|---------------|---------------|
| Due within one year | | |
| Amounts owed by group undertakings | 810 | 1,454 |

11. CREDITORS

| | 2007 £'000 | 2006 £'000 |
|--|---------------|---------------|
| Amounts falling due within one year | | |
| Amounts owed to group undertakings | - | 3 |
| Corporation tax | 38 | - |
| | 38 | 3 |

NOTES TO THE ACCOUNTS
52 weeks ended 30 December 2007

12. PROVISIONS FOR LIABILITIES

| | Deferred tax £'000 |
|-----------------------|--------------------------|
| At 1 January 2007 | 1 |
| Charge for the period | - |
| At 30 December 2007 | 1 |

The amounts of provided deferred taxation can be analysed as follows

| | Provided 2007 £'000 | 2006 £'000 |
|--|---------------------------|---------------|
| Capital allowances in excess of depreciation | 1 | 1 |

No provision is made for tax which would become payable on the sale of intangible assets at the stated amounts as there is no present intention to sell these intangible assets. There is no other unprovided deferred tax.

13. CALLED UP SHARE CAPITAL

| | 2007 £ | 2006 £ |
|---|-----------|-----------|
| Authorised | | |
| 1,000 ordinary shares of £1 each | 1,000 | 1,000 |
| Allotted, called up and fully paid | | |
| 32 ordinary shares of £1 each | 32 | 32 |

14. RESERVES AND RECONCILIATION OF SHAREHOLDERS' FUNDS

| | Share capital £'000 | Share premium account £'000 | Profit and loss account £'000 | Total £'000 |
|-----------------------------|---------------------------|--------------------------------------|-------------------------------------|----------------|
| At 26 December 2005 | - | 750 | 560 | 1,310 |
| Profit for the period | - | - | 160 | 160 |
| At 31 December 2006 | - | 750 | 720 | 1,470 |
| Profit for the period | - | - | 41 | 41 |
| Dividends declared and paid | - | - | (720) | (720) |
| At 30 December 2007 | - | 750 | 41 | 791 |

15. OTHER COMMITMENTS

At 30 December 2007 the company had no annual commitments under non-cancellable operating leases or capital commitments (2006 - £nil)

NOTES TO THE ACCOUNTS

52 weeks ended 30 December 2007

16. PENSIONS

The company is a member of the Newsquest Pension Scheme ("the Scheme"), which is a funded defined benefit scheme. Details of the scheme, including particulars of the latest actuarial valuation, the existence of a surplus or deficit in the group and its effect on future contribution rates by the company, can be found in the financial statements of Gannett U K Limited.

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 £5,000 (2006 - £2,000) are paid to the principal employer of the Newsquest Pension Scheme, Newsquest Media Group Limited, to fund its contributions to the Scheme. The allocation of this cost to the company is based on pensionable salaries.

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 £nil (2006 - £nil).

17. 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.

18. 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, CF4 3UZ.