

**NEWSQUEST (LONDON) LIMITED**

**Directors' Report and Financial Statements  
for the 52 weeks ended 26 December 2004**



**REPORT AND FINANCIAL STATEMENTS 2004**

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## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the 52 weeks ended 26 December 2004.

### **PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE PROSPECTS**

The company's principal activity continues to be that of publishing newspapers. The directors are satisfied with the performance of the company and expect this to continue in the future.

### **RESULTS AND DIVIDENDS**

The profit for the period after taxation amounted to £26,854,000 (2003 - £25,055,000).

Interim dividends of £19,076,000 were made in the period (2003 - £2,000,000). The directors do not recommend that a final dividend is paid (2003 - £nil).

### **DIRECTORS**

The directors who served during the period are listed below.

P Davidson  
P Hunter  
P Radburn  
R Mills

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

### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

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

### **EMPLOYEE PARTICIPATION**

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 all staff throughout the period.

### **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.

### **AUDITORS**

It will be proposed at the annual general meeting that Ernst & Young LLP are to be appointed as auditors for the coming year.

This report was approved by the Board on 21 June 2005 and signed on its behalf.



N Carpenter  
Secretary

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently in the period. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 26 December 2004 and that applicable accounting standards have been followed.

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.

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

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related notes.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

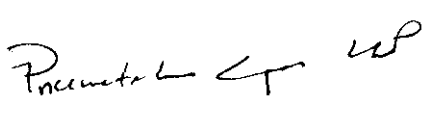
**Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in 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 of the state of the Company's affairs as at 26 December 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
1 Embankment Place  
London  
WC2N 6RH

21/6/05

**PROFIT AND LOSS ACCOUNT****52 weeks ended 26 December 2004 (note 1)**

	<b>Note</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
<b>TURNOVER</b>	1,2	93,942	91,852
Cost of sales		(35,635)	(35,541)
<b>GROSS PROFIT</b>		58,307	56,311
Operating expenses	3	(37,119)	(36,805)
<b>OPERATING PROFIT</b>	4	21,188	19,506
Profit on disposal of land and buildings		6,625	2,814
Interest receivable	6	2,038	-
Interest payable	7	(492)	(8)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		29,359	22,312
Tax (charge)/credit on profit on ordinary activities	8	(2,505)	2,743
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		26,854	25,055
Dividends	9	(19,076)	(2,000)
<b>RETAINED PROFIT FOR THE FINANCIAL PERIOD</b>	18	7,778	23,055

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.

**BALANCE SHEET**  
**26 December 2004 (note 1)**

	Note	£'000	2004 £'000	2003 £'000
<b>FIXED ASSETS</b>				
Intangible assets	10		105,327	105,327
Tangible fixed assets	11		10,811	6,530
Investments	12		58,934	58,934
			<u>175,072</u>	<u>170,791</u>
<b>CURRENT ASSETS</b>				
Debtors	13	42,449		39,030
Cash		519		608
		<u>42,968</u>		<u>39,638</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	<u>(75,557)</u>	<u>(75,448)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(32,589)</u>	<u>(35,810)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			142,483	134,981
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15		<u>(2,268)</u>	<u>(2,544)</u>
<b>NET ASSETS</b>			<u>140,215</u>	<u>132,437</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	17		1	1
Share premium account	18		71,933	71,933
Profit and loss account	18		68,281	60,503
<b>SHAREHOLDERS' FUNDS – All equity</b>	19		<u>140,215</u>	<u>132,437</u>

The financial statements on pages 4 to 13 were approved by the Board on 21 June 2005 and signed on its behalf.



P Hunter

Director

## NOTES TO THE ACCOUNTS

### 52 weeks ended 26 December 2004

#### 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 29 December 2003 to 26 December 2004 and 52 weeks from 30 December 2002 to 28 December 2003. The balance sheets for 2004 and 2003 have been drawn up at 26 December 2004 and 28 December 2003 respectively.

##### **Turnover**

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

##### **Tangible fixed assets and depreciation**

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

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

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

The carrying value of tangible fixed assets are reviewed for impairment 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, 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 an indefinite life. This is based on the history of the publishing rights, the vast majority of which have been profitably published for periods considerably in excess of 20 years; and that there is no evidence of any structural reduction in the value of local information that would lead the directors to believe that these publishing rights have ceased to have an indefinite life.

Intangible assets are reviewed for impairment annually, and provision is made for any impairment in value.

##### **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.

##### **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.



**NOTES TO THE ACCOUNTS**  
**52 weeks ended 26 December 2004**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Leasehold property**

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

**Pensions**

The company is a member of a 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 all the defined benefit schemes as if they were defined contribution schemes as it is not possible to separately identify the company's share of the assets and liabilities in the defined benefit schemes. Refer to note 21 for further details.

**Operating leases**

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

**Cash flow statement**

At 26 December 2004 the company was a wholly owned subsidiary and the consolidated financial statements in which the company is included are publicly available (note 23). Therefore, a cash flow statement is not required under Financial Reporting Standard 1 (revised).

**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.

**2. TURNOVER**

The whole of the turnover is attributable to the one principal activity of the company, being publishing newspapers, and arose in the United Kingdom.

**3. OPERATING EXPENSES**

	2004 £'000	2003 £'000
Selling and distribution costs	14,935	13,369
Administrative expenses	22,184	23,436
	<u>37,119</u>	<u>36,805</u>

**4. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2004 £'000	2003 £'000
Depreciation of tangible fixed assets:		
- owned by the company	1,550	1,907
Operating lease rentals:		
- hire of plant and machinery	14	6
- land and buildings	1,336	1,198
Management charge	908	1,254
Profit on disposals of fixed assets	(22)	(63)

Audit fees have been borne by another group company in the current and preceding periods.

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 26 December 2004**

**5. STAFF COSTS**

Staff costs were as follows:

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	28,517	27,995
Social security costs	1,996	1,940
Other pension costs	1,726	1,027
	<u>32,239</u>	<u>30,962</u>

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

	<b>No.</b>	<b>No.</b>
Pre-press	161	168
Editorial	263	263
Marketing and sales	487	467
Distribution	89	93
Finance and management	128	123
	<u>1,128</u>	<u>1,114</u>

There are also 6,364 (2003 – 8,869) 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.

Directors' remuneration in 2004 was £nil (2003 - £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**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable from group undertakings	1,856	-
Other interest receivable	182	-
	<u>2,038</u>	<u>-</u>

**7. INTEREST PAYABLE**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable to group undertakings	482	-
Other interest payable	10	8
	<u>492</u>	<u>8</u>

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 26 December 2004**

**8. TAX (CHARGE)/CREDIT ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis of (charge)/credit in the period:</b>		
Current tax:		
UK Corporation tax at 30% (2003 - 30%)	(2,393)	(2)
Adjustment in respect of prior periods	(79)	2,836
	<hr/>	<hr/>
Total current tax (see below)	(2,472)	2,834
Deferred taxation		
Origination and reversal of timing differences	(33)	(90)
Adjustment in respect of prior periods	-	(1)
	<hr/>	<hr/>
	(2,505)	2,743
	<hr/>	<hr/>

The tax (charge)/credit for the period is lower than the standard rate of corporation tax in the UK (30%).  
The differences are explained below:

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis of (charge)/credit in the period:</b>		
Profit on ordinary activities before taxation	29,359	22,312
	<hr/>	<hr/>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2003 - 30%)	(8,808)	(6,694)
Expenses that may not qualify as deductible for tax purposes	1,857	(142)
Capital allowances for period in excess of depreciation	113	800
Utilisation of tax losses	4,445	6,034
Adjustments to tax charge in respect of previous periods	(79)	2,836
	<hr/>	<hr/>
	(2,472)	2,834
	<hr/>	<hr/>

Tax losses arising within the Gannett U.K. Limited group of companies are relieved amongst group companies. The principal factor that may affect 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.

**9. DIVIDENDS**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Interim dividends paid	19,076	2,000
	<hr/>	<hr/>

**10. INTANGIBLE ASSETS**

**Publishing rights**

	<b>£'000</b>
<b>Cost and Net book value</b>	
At 26 December 2004 and 28 December 2003	105,327
	<hr/>

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 26 December 2004**

**11. TANGIBLE FIXED ASSETS**

	Construction in progress £'000	Land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>				
At 29 December 2003	-	3,999	16,357	20,356
Additions	4,187	-	1,959	6,146
Disposals	-	(600)	(1,418)	(2,018)
Net transfers to group companies	-	-	(18)	(18)
At 26 December 2004	4,187	3,399	16,880	24,466
<b>Depreciation</b>				
At 29 December 2003	-	550	13,276	13,826
Charge for period	-	86	1,464	1,550
Disposals	-	(412)	(1,306)	(1,718)
Transfers to group companies	-	-	(3)	(3)
At 26 December 2004	-	224	13,431	13,655
<b>Net book value</b>				
At 26 December 2004	4,187	3,175	3,449	10,811
At 28 December 2003	-	3,449	3,081	6,530

Included in land and buildings is freehold property with a net book value of £277,000 (2003 - £489,000) and long leaseholds with a net book value of £2,898,000 (2003 - £2,960,000). The value of freehold land included in land and buildings is £nil (2003 - £nil). Included in assets in the course of construction is freehold property of £1,793,837 (2003 - £nil) and freehold land of £2,042,350 (2003 - £nil).

**12. INVESTMENTS**

**Shares in subsidiary undertakings**

	£'000
<b>Cost and net book value</b>	
At 26 December 2004 and 28 December 2003	58,934

The investments comprise the entire issued ordinary share capital of Newsquest (Herts and Bucks) Limited, Newsquest (North West London) Limited (formerly Review Newspapers Limited) and Property Weekly Limited all of which are incorporated in Great Britain and do not trade.

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 26 December 2004**

**13. DEBTORS**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
<b>Due within one year</b>		
Trade debtors	7,636	7,457
Amounts owed by group companies	29,048	28,359
Other debtors	4,672	1,144
Corporation tax	-	1,254
Prepayments and accrued income	1,093	816
	<u>42,449</u>	<u>39,030</u>

Included in other debtors is a deferred taxation asset which is recoverable in more than one year (see note 16).

**14. CREDITORS**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Trade creditors	175	580
Amounts owed to group undertakings	68,779	68,605
Corporation tax	1,263	-
Other taxation and social security	3,437	3,665
Other creditors	131	219
Accruals and deferred income	1,772	2,379
	<u>75,557</u>	<u>75,448</u>

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Post retirement medical costs</b>	<b>Leasehold property provision</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 29 December 2003	647	1,897	2,544
(Release)/charge in the period	(176)	180	4
Utilisation	(69)	(211)	(280)
At 26 December 2004	<u>402</u>	<u>1,866</u>	<u>2,268</u>

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

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

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 26 December 2004**

**16. DEFERRED TAX ASSET**

	£'000
As at 29 December 2003	774
Charge for the period	(33)
	<hr/>
As at 26 December 2004	741
	<hr/>

The deferred tax asset is included on other debtors (note 13).

The amounts of provided and unprovided deferred taxation can be analysed as follows:

	Provided	
	2004	2003
	£'000	£'000
Capital allowances in excess of depreciation	446	477
Other timing differences	295	297
	<hr/>	<hr/>
	741	774
	<hr/>	<hr/>

Deferred tax on rolled over capital gains of £1,882,000 (2003 - £1,506,000) has not been provided.

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.

**17. CALLED UP SHARE CAPITAL**

	2004	2003
	£	£
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
829 ordinary shares of £1 each	829	829
	<hr/>	<hr/>

**18. RESERVES**

	2004	2003
	£'000	£'000
<b>Share premium account</b>		
At 26 December 2004 and 28 December 2003	71,933	71,933
	<hr/>	<hr/>
<b>Profit and loss account</b>		
At 29 December 2003	60,503	37,448
Profit for the period	7,778	23,055
	<hr/>	<hr/>
At 26 December 2004	68,281	60,503
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 26 December 2004**

**19. SHAREHOLDERS' FUNDS**

	2004 £'000	2003 £'000
Profit for the financial period	26,854	25,055
Dividends	(19,076)	(2,000)
<b>Net additions to shareholders' funds</b>	<b>7,778</b>	<b>23,055</b>
Opening shareholders' funds	132,437	109,382
<b>Closing shareholders' funds</b>	<b>140,215</b>	<b>132,437</b>

**20. OTHER COMMITMENTS**

At 26 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Plant and machinery	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
<b>Expiry date</b>				
Within one year	-	67	14	1
Between two and five years	168	147	-	-
In more than five years	1,179	811	-	-

At 26 December 2004 the company had capital commitments of £547,000 (2003 - £nil).

**21. PENSIONS**

The company is a member of the Newsquest Pension Scheme, which is primarily a funded defined benefit scheme, details of which, including particulars of the latest actuarial valuation, can be found in the financial statements of Gannett U.K. Limited. On 25 March 2004 the assets and liabilities of the Newsquest Media (Southern) Pension Scheme were transferred into the Newsquest Pension Scheme.

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 £1,726,000 (2003 - £1,027,000) 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.

**22. 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.

**23. 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, Maindy, Cardiff, CF4 3UZ.