

NEWSQUEST (LONDON) LIMITED

**Directors' Report and Financial Statements
for the 52 weeks ended 28 December 2003**



REPORT AND FINANCIAL STATEMENTS 2003

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DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 52 weeks ended 28 December 2003.

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 £25,055,000 (2002 - £16,637,000).

Interim dividends of £2,000,000 were made in the period (2002 - £4,000,000). The directors do not recommend that a final dividend is paid (2002 - £nil).

DIRECTORS

The directors who served during the period are listed below.

P Davidson

P Hunter

P Radburn

R Mills

J Brown (resigned 31 July 2003)

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

PricewaterhouseCoopers LLP have been replaced by Ernst & Young LLP as auditors to the company for the financial year ending 26 December 2005. It will be proposed at the annual general meeting that Ernst & Young LLP be formally appointed.

This report was approved by the Board on 14 March 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 year. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 28 December 2003 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 28 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

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

14/3/05

PROFIT AND LOSS ACCOUNT**52 weeks ended 28 December 2003 (note 1)**

	Note	2003 £'000	2002 £'000
TURNOVER	1,2	91,852	92,666
Cost of sales		(35,541)	(36,159)
GROSS PROFIT		56,311	56,507
Operating expenses	3	(36,805)	(40,435)
OPERATING PROFIT	4	19,506	16,072
Profit on disposal of land and buildings		2,814	-
Interest payable	6	(8)	(3)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		22,312	16,069
Tax credit on profit on ordinary activities	7	2,743	568
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		25,055	16,637
Dividends	8	(2,000)	(4,000)
RETAINED PROFIT FOR THE FINANCIAL PERIOD	18	23,055	12,637

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
28 December 2003 (note 1)

	Note	£'000	2003 £'000	£'000	2002 £'000
FIXED ASSETS					
Intangible assets	9		105,327		105,327
Tangible fixed assets	10		6,530		7,284
Investments	11		58,934		58,934
			<u>170,791</u>		<u>171,545</u>
CURRENT ASSETS					
Debtors	12	39,030		16,992	
Cash		608		1,128	
		<u>39,638</u>		<u>18,120</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(75,448)		(77,528)	
NET CURRENT LIABILITIES			<u>(35,810)</u>		<u>(59,408)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			134,981		112,137
PROVISIONS FOR LIABILITIES AND CHARGES	14		(2,544)		(2,755)
NET ASSETS			<u>132,437</u>		<u>109,382</u>
CAPITAL AND RESERVES					
Called up share capital	16		1		1
Share premium account	17		71,933		71,933
Profit and loss account	17		60,503		37,448
SHAREHOLDERS' FUNDS – All equity	18		<u>132,437</u>		<u>109,382</u>

The financial statements on pages 4 to 14 were approved by the Board on 14 March 2005 and signed on its behalf.



P Hunter

Director

NOTES TO THE ACCOUNTS**52 weeks ended 28 December 2003****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 30 December 2002 to 28 December 2003 and 52 weeks from 31 December 2001 to 29 December 2002. The balance sheets for 2003 and 2002 have been drawn up at 28 December 2003 and 29 December 2002 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.

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. 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 diminution in value other than a temporary diminution in value.

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.

NOTES TO THE ACCOUNTS**52 weeks ended 28 December 2003****1. ACCOUNTING POLICIES (CONTINUED)****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.

Goodwill

On the acquisition of a business, the purchase consideration is allocated between the underlying net tangible and intangible assets on a fair value basis. Goodwill on acquisitions after 1 January 1998 is included on the balance sheet and amortised over its expected useful economic life, up to a maximum of 20 years.

Goodwill on acquisitions prior to 1 January 1998 has been written off against profit and loss reserve as a matter of accounting policy. This goodwill will be charged to the profit and loss account in the event of the disposal of the business to which it relates.

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 28 December 2003 the company was a wholly owned subsidiary and the consolidated financial statements in which the company is included are publicly available (note 22). 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

	2003 £'000	2002 £'000
Selling and distribution costs	13,369	14,405
Administrative expenses	23,436	26,030
	<u>36,805</u>	<u>40,435</u>

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2003

4. OPERATING PROFIT

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

	2003 £'000	2002 £'000
Depreciation of tangible fixed assets:		
- owned by the company	1,907	2,580
Operating lease rentals:		
- hire of plant and machinery	6	7
- land and buildings	1,198	1,177
Management charge	1,254	1,431
(Profit)/loss on disposals of fixed assets	(63)	172

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

5. STAFF COSTS

Staff costs were as follows:

	2003 £'000	2002 £'000
Wages and salaries	27,995	27,492
Social security costs	1,940	1,806
Other pension costs	1,027	2,206
	<u>30,962</u>	<u>31,504</u>

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

	No.	No.
Pre-press	168	163
Editorial	263	270
Marketing and sales	467	478
Distribution	93	98
Finance and management	123	127
	<u>1,114</u>	<u>1,136</u>

There are also 8,869 (2002 – 6,941) 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. In the prior year these distributors were treated as sub-contractors.

Directors' remuneration in 2003 was £nil (2002 - £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 PAYABLE

	2003 £'000	2002 £'000
Other interest payable	<u>8</u>	<u>3</u>

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2003

7. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES

	2003	2002
	£'000	£'000
Analysis of charge in the period:		
Current tax:		
UK Corporation tax at 30% (2002 – 30%)	2	449
Adjustment in respect of prior periods	(2,836)	(339)
	<hr/>	<hr/>
Total current tax (see below)	(2,834)	110
Deferred taxation		
Origination and reversal of timing differences	90	(577)
Adjustment in respect of prior periods	1	(101)
	<hr/>	<hr/>
	(2,743)	(568)
	<hr/>	<hr/>

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

	2003	2002
	£'000	£'000
Analysis of charge in the period:		
Profit on ordinary activities before taxation	22,312	16,069
	<hr/>	<hr/>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2002 - 30%)	6,694	4,821
Expenses that may not qualify as deductible for tax purposes	142	207
Depreciation for period in excess of capital allowances	(800)	221
Utilisation of tax losses	(6,034)	(4,800)
Adjustments to tax charge in respect of previous periods	(2,836)	(339)
	<hr/>	<hr/>
	(2,834)	110
	<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.

8. DIVIDENDS

	2003	2002
	£'000	£'000
Interim dividends paid	2,000	4,000
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2003

9. INTANGIBLE ASSETS

Publishing rights	£'000
Cost and Net book value	
At 28 December 2003 and 30 December 2002	<u>105,327</u>

10. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 30 December 2002	3,753	16,009	19,762
Additions	246	1,000	1,246
Disposals	-	(638)	(638)
Net transfers from group companies	-	(14)	(14)
	<u>3,999</u>	<u>16,357</u>	<u>20,356</u>
At 28 December 2003			
Depreciation			
At 30 December 2002	469	12,009	12,478
Charge for period	81	1,826	1,907
Disposals	-	(554)	(554)
Transfer from other group companies	-	(5)	(5)
	<u>550</u>	<u>13,276</u>	<u>13,826</u>
At 28 December 2003			
Net book value			
At 28 December 2003	<u>3,449</u>	<u>3,081</u>	<u>6,530</u>
At 30 December 2002	<u>3,284</u>	<u>4,000</u>	<u>7,284</u>

Included in land and buildings is freehold property with a net book value of £489,000 (2002 - £264,000) and long leaseholds with a net book value of £2,960,000 (2002 - £3,020,000). The value of freehold land included in land and buildings is £nil (2002 - £nil).

11. INVESTMENTS

	2003 £'000	2002 £'000
Shares in subsidiary undertakings		
Cost and net book value		
At 28 December 2003 and 30 December 2002	<u>58,934</u>	<u>58,934</u>

The investments comprise the entire issued share capital of Newsquest (Herts and Bucks) Limited, Review Free 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 28 December 2003

12. DEBTORS

	2003	2002
	£'000	£'000
Due within one year		
Trade debtors	7,457	6,987
Amounts owed by group companies	28,359	7,102
Other debtors	1,144	1,155
Corporation tax	1,254	-
Prepayments and accrued income	816	1,748
	<u>39,030</u>	<u>16,992</u>

Included in Other debtors is a deferred taxation asset which is recoverable in more than one year (see note 15).

13. CREDITORS

	2003	2002
	£'000	£'000
Amounts falling due within one year		
Trade creditors	580	367
Amounts owed to group undertakings	68,605	68,523
Corporation tax	-	2,404
Other taxation and social security	3,665	3,596
Other creditors	219	277
Accruals and deferred income	2,379	2,361
	<u>75,448</u>	<u>77,528</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Post retirement medical costs	Leasehold property provision	Total
	£'000	£'000	£'000
At 30 December 2002	763	1,992	2,755
(Release)/charge in the period	(106)	79	(27)
Utilisation	(10)	(174)	(184)
	<u>647</u>	<u>1,897</u>	<u>2,544</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 28 December 2003

15. DEFERRED TAX

	£'000
As at 30 December 2002	865
(Charge) for the period	(91)
	<hr/>
As at 28 December 2003	774
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The deferred tax asset is included on other debtors (note 12).

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

	Provided	
	2003	2002
	£'000	£'000
Capital allowances in excess of depreciation	477	609
Other timing differences	297	256
	<hr/>	<hr/>
	774	865
	<hr/>	<hr/>

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.

16. CALLED UP SHARE CAPITAL

	2003	2002
	£	£
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
829 ordinary shares of £1 each	829	829
	<hr/>	<hr/>

17. RESERVES

	2003	2002
	£'000	£'000
Share premium account		
At 28 December 2003 and 30 December 2002	71,933	71,933
	<hr/>	<hr/>
Profit and loss account		
At 30 December 2002	37,448	24,811
Profit for the period	23,055	12,637
	<hr/>	<hr/>
At 28 December 2003	60,503	37,448
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2003

18. SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the financial period	25,055	16,637
Dividends	(2,000)	(4,000)
Net additions to shareholders' funds	23,055	12,637
Opening shareholders' funds	109,382	96,745
Closing shareholders' funds	132,437	109,382

19. OTHER COMMITMENTS

At 28 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Plant and machinery	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Expiry date				
Within one year	67	56	1-	4
Between two and five years	147	270	-	-
In more than five years	811	755	-	-

At 28 December 2003 the company had no capital commitments (2002 - £nil).

20. 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 £1,027,000 (2002 - £2,206,000) 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.

21. 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.

NOTES TO THE ACCOUNTS

52 weeks ended 28 December 2003

22. 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.