

NEWSQUEST (OXFORDSHIRE) LIMITED

Directors' Report and Financial Statements for the 52 weeks ended 29 December 2002



REPORT AND FINANCIAL STATEMENTS 2002

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DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 52 weeks ended 29 December 2002.

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 after taxation for the period amounted to £5,877,000 (2001 - £10,475,000).

Interim dividends of £5,000,000 (2001 - £7,825,000) were paid in the period. The directors do not recommend a final dividend (2001 - £nil).

DIRECTORS

The directors who served during the period are listed below.

J Brown
P Davidson
P Hunter
P Radburn
I Aiken (resigned 7 April 2002)

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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 13 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

This report was approved by the Board on 9 April 2003 and signed on its behalf.



P Hunter
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- 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 proper accounting records which 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 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 (OXFORDSHIRE) LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 7.

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 on page 2.

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 in to 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 United Kingdom Companies Act. 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.

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 at 29 December 2002 and of its profit for the period 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
9 April 2003

NEWSQUEST (OXFORDSHIRE) LIMITED

PROFIT AND LOSS ACCOUNT 52 weeks ended 29 December 2002 (note 1)

	Note	2002 £'000	2001 £'000
TURNOVER	1,2	24,806	25,962
Cost of sales		(5,441)	(5,763)
GROSS PROFIT		19,365	20,199
Operating expenses	3	(12,258)	(10,985)
OPERATING PROFIT	4	7,107	9,214
Interest payable	6	-	(1)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,107	9,213
Tax (charge)/credit on profit on ordinary activities	7	(1,230)	1,262
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,877	10,475
Dividends	8	(5,000)	(7,825)
RETAINED PROFIT FOR THE FINANCIAL PERIOD	17	877	2,650

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 (OXFORDSHIRE) LIMITED

BALANCE SHEET

29 December 2002 (note 1)

	Note	£'000	2002 £'000	£'000	2001 £'000
FIXED ASSETS					
Intangible assets	9		31,262		31,262
Tangible fixed assets	10		3,261		4,488
			<u>34,523</u>		<u>35,750</u>
CURRENT ASSETS					
Stocks	11	140		202	
Debtors	12	16,559		13,611	
Cash at bank and in hand		80		-	
		<u>16,779</u>		<u>13,813</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>(4,694)</u>		<u>(3,741)</u>	
NET CURRENT ASSETS			<u>12,085</u>		<u>10,072</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			46,608		45,822
PROVISIONS FOR LIABILITIES AND CHARGES	14		<u>(269)</u>		<u>(360)</u>
NET ASSETS			<u>46,339</u>		<u>45,462</u>
CAPITAL AND RESERVES					
Called up share capital	16		-		-
Share premium account	17		35,000		35,000
Profit and loss account	17		11,339		10,462
EQUITY SHAREHOLDERS' FUNDS	18		<u>46,339</u>		<u>45,462</u>

The financial statements on pages 4 to 13 were approved by the Board on 9 April 2003 and signed on its behalf.



P Hunter

Director

NOTES TO THE ACCOUNTS
52 weeks ended 29 December 2002

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.

Accounting period

The profit and loss accounts cover the 52 weeks from 31 December 2001 to 29 December 2002 and the 52 weeks from 1 January 2001 to 29 December 2001. The balance sheets for 2002 and 2001 have been drawn up at 29 December 2002 and 30 December 2001 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, if events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible fixed assets

Publishing rights and titles are stated at fair value on acquisition, based on the operating profits derived from them, and are not subsequently revalued. In the directors' opinion publishing rights and titles have an indefinite economic life, and as a result no annual amortisation is applied. Intangible assets are reviewed for impairment annually, and provision is made for any impairment in value. Internally developed intangibles are not carried on the balance sheet.

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.

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.

NOTES TO THE ACCOUNTS

52 weeks ended 29 December 2002

1. ACCOUNTING POLICIES (CONTINUED)

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 (note 17).

Operating leases

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

Cash flow statement

At 30 December 2002, 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.

All turnover arose within the United Kingdom.

3. OPERATING EXPENSES

	2002 £'000	2001 £'000
Selling and distribution costs	3,066	3,017
Administrative expenses	9,192	7,968
	<u>12,258</u>	<u>10,985</u>

4. OPERATING PROFIT

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

	2002 £'000	2001 £'000
Depreciation of tangible fixed assets:		
- owned by the company	1,609	865
Operating lease rentals:		
- hire of plant and machinery	62	78
- land and buildings	42	39
Management charge	343	382
Loss/(profit) on disposals of fixed assets	<u>38</u>	<u>(12)</u>

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

NOTES TO THE ACCOUNTS
52 weeks ended 29 December 2002

5. STAFF COSTS

Staff costs were as follows:

	2002	2001
	£'000	£'000
Wages and salaries	6,301	5,963
Social security costs	524	534
Other pension costs	770	186
	<u>7,595</u>	<u>6,683</u>

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

	No.	No.
Pre-press	40	42
Printing	45	46
Editorial	97	100
Marketing and sales	89	91
Distribution	46	42
Finance and management	12	17
	<u>329</u>	<u>338</u>

There are also 657 (2001- nil) 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 2002 was £nil (2001 - £nil). All emoluments and pension payments made by related companies to directors are dealt with in the financial statements of Newsquest Media Group Limited.

6. INTEREST PAYABLE

	2002	2001
	£'000	£'000
Other interest payable	<u>-</u>	<u>1</u>

7. TAX (CHARGE)/CREDIT ON PROFIT ON ORDINARY ACTIVITIES

	2002	2001
	£'000	£'000
Analysis of charge in the period:		
Current tax:		
UK Corporation tax at 30% (2001 - 30%)	(1,500)	(1,320)
Adjustment in respect of prior periods	<u>-</u>	<u>2,609</u>
Total current tax (see below)	(1,500)	1,289
Deferred taxation		
Origination and reversal of timing differences	264	(67)
Adjustment in respect of prior periods	<u>6</u>	<u>40</u>
	<u>(1,230)</u>	<u>1,262</u>

NOTES TO THE ACCOUNTS
52 weeks ended 29 December 2002

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

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

	2002	2001
	£'000	£'000
Analysis of (charge)/credit in the period:		
Profit on ordinary activities before taxation	7,107	9,213
	<hr/>	<hr/>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2001 - 30%)	2,132	(2,764)
Expenses not deductible for tax purposes	20	35
Capital allowances in period in excess of depreciation	248	27
Utilisation of tax losses	(900)	1,382
Adjustments to tax charge in respect of previous periods	-	2,609
	<hr/>	<hr/>
	1,500	1,289
	<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

	2002	2001
	£'000	£'000
Interim dividend paid	5,000	7,825
	<hr/>	<hr/>

9. INTANGIBLE ASSETS

	2002	2001
	£'000	£'000
Publishing rights		
Cost and Net Book Value		
At 29 December 2002 and 31 December 2001	31,262	31,262
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
52 weeks ended 29 December 2002

10. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Construction in progress £'000	Total £'000
Cost				
At 31 December 2001	2,006	9,722	-	11,728
Additions	33	235	154	422
Disposals	(107)	(95)	-	(202)
At 29 December 2002	1,932	9,862	154	11,948
Depreciation				
At 31 December 2001	635	6,605	-	7,240
Charge for period	86	1,523	-	1,609
Disposals	(70)	(92)	-	(162)
At 29 December 2002	651	8,036	-	8,687
Net book value				
At 29 December 2002	1,281	1,826	154	3,261
At 31 December 2001	1,371	3,117	-	4,488

Land and buildings at net book value includes freeholds of £1,281,000 (2001 - £1,370,000), of which £102,212 (2001 - £102,212) is freehold land which is not depreciated, and short leaseholds of £nil (2001 - £1,000).

11. STOCKS

	2002 £'000	2001 £'000
Raw materials	140	202

12. DEBTORS

	2002 £'000	2001 £'000
Due within one year		
Trade debtors	2,360	2,628
Amounts owed by group undertakings	13,900	10,835
Other debtors	165	6
Prepayments and accrued income	134	142
	16,559	13,611

NOTES TO THE ACCOUNTS
52 weeks ended 29 December 2002

13. CREDITORS

	2002 £'000	2001 £'000
Amounts falling due within one year		
Bank loans and overdrafts	-	49
Trade creditors	71	59
Amounts owed to group undertakings	33	73
Corporation tax	2,827	1,326
Other taxation and security	717	750
Other creditors	260	299
Accruals and deferred income	786	1,185
	<u>4,694</u>	<u>3,741</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £'000	Post retirement medical costs £'000	Leasehold property provision £'000	Total £'000
At 31 December 2001	113	228	19	360
Charge for the period	-	18	11	29
Utilisation	-	(7)	-	(7)
Transfer of deferred tax to an asset (note 15)	(113)	-	-	(113)
At 29 December 2002	<u>-</u>	<u>239</u>	<u>30</u>	<u>269</u>

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.

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

15. DEFERRED TAX

	£'000
As at 31 December 2001	(113)
Credit for the period	270
Utilisation	-
As at 29 December 2002	<u>157</u>

The deferred tax asset is included on other debtors.

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

	2002 £'000	2001 £'000
Provided		
Depreciation in excess of capital allowances	3	(274)
Other timing differences	154	161
Deferred tax asset/(liability)	<u>157</u>	<u>(113)</u>

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.

NEWSQUEST (OXFORDSHIRE) LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 29 December 2002

16. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
		£
Allotted, called up and fully paid:		
100 ordinary shares of £1 each	100	100

17. RESERVES

	2002 £'000	2001 £'000
Share premium account		
At 29 December 2002 and 31 December 2001	35,000	35,000
Profit and loss account		
At 31 December 2001	10,462	7,812
Profit for the period	877	2,650
At 29 December 2002	11,339	10,462

Profit and loss account reserve

Included within the profit and loss account is £134,000 (2001 - £134,000) of goodwill written off as a matter of accounting policy. This goodwill would be charged to the profit and loss account on the subsequent disposal of the business to which it relates.

18. SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
Profit for the financial period	5,877	10,475
Dividends	(5,000)	(7,825)
Net additions to shareholders' funds	877	2,650
Opening shareholders' funds	45,462	42,812
Closing shareholders' funds	46,339	45,462

NEWSQUEST (OXFORDSHIRE) LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 29 December 2002

16. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
		£
Allotted, called up and fully paid:		
100 ordinary shares of £1 each	100	100

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	2002 £'000	2001 £'000
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NOTES TO THE ACCOUNTS

52 weeks ended 29 December 2002

19. OTHER COMMITMENTS

At 29 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Plant and machinery	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Expiry date				
Within one year	9	14	14	5
Between 2 and 5 years	26	-	33	56
In more than 5 years	8	10	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

At 29 December 2002 the company had capital commitments of £7,691,491 (2001 - £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 for the period ended 29 December 2002.

The contributions made by the group into the scheme, which have increased in 2002, are assessed in accordance with the advice of a qualified independent actuary. The pension costs in these accounts of £770,000 (2001 - £186,000) 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.

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.