

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

**Directors' Report and Financial Statements
for the 52 weeks ended 28 December 2008**



NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

CONTENTS	Page
Directors' report	1
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the accounts	6

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 52 weeks ended 28 December 2008.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

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

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

	2008	2007	Change
	£'000	£'000	
Turnover	45,275	50,614	(10.5%)
Adjusted EBITDA*	14,905	19,752	(24.5%)
Adjusted EBITDA* margin	32.9%	39.0%	(6.1pts)

* Earnings before interest, tax, depreciation, amortisation, impairment charges and restructuring costs

Turnover represents revenue generated from the company's principal activity. All categories of newspaper advertising revenues declined in the year, resulting in 2008 turnover decreasing by 10.5%. The directors expect future growth in revenue from the internet. In 2008 internet revenues increased by 31.6%.

During the period the company made a series of cost reductions and restructured processes to mitigate the impact of the decline in revenue due to the current recession. In view of weak trends in operating performance an impairment charge of £35,527,000 against the cost of licenses to publishing rights and £12,414,000 against the publishing rights has been made.

In the period to 28 December 2008 the company received a capital contribution, from its parent company Newsquest Media Group Limited, of £10,000,000.

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 and investing in internet based services. This investment in digital media by the company is creating promising opportunities for revenue generation.

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 loss after taxation for the period amounted to £41,341,000 (2007 - £1,745,000 loss).

Interim dividends of £nil (2007 - £10,000,000) were paid in the period. The directors do not recommend a final dividend (2007 - £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' 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.

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

DIRECTORS' REPORT

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 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 all 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 2008 the recycled content of newsprint used in the production of newspapers by the UK industry rose to 87.2% (2007 - 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.

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 21 September 2009 and signed on its behalf.



N Carpenter
Joint Company Secretary

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

We have audited the company's financial statements for the 52 weeks ended 28 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21. 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 28 December 2008 and of its loss 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: 22.9.09

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

PROFIT AND LOSS ACCOUNT

52 weeks ended 28 December 2008 (note 1)

	Note	2008 £'000	2007 £'000
TURNOVER	1,2	45,275	50,614
Cost of sales		<u>(9,439)</u>	<u>(9,634)</u>
GROSS PROFIT		35,836	40,980
Operating expenses	3	(26,662)	(25,885)
Impairment of intangibles	9	<u>(47,941)</u>	<u>(11,300)</u>
OPERATING (LOSS)/PROFIT	4	(38,767)	3,795
Interest receivable	6	2	-
Interest payable	7	<u>(1,732)</u>	<u>(2,619)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(40,497)	1,176
Tax charge on (loss)/profit on ordinary activities	8	<u>(844)</u>	<u>(2,921)</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	16	<u><u>(41,341)</u></u>	<u><u>(1,745)</u></u>

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 & WILTSHIRE) LIMITED

BALANCE SHEET
28 December 2008 (note 1)

	Note	£'000	2008 £'000	£'000	2007 £'000
FIXED ASSETS					
Intangible assets	9		25,305		76,014
Tangible fixed assets	10		22,959		24,248
			<u>48,264</u>		<u>100,262</u>
CURRENT ASSETS					
Stocks	11	455		291	
Debtors	12	4,877		5,898	
Cash at bank and in hand		17		-	
			<u>5,349</u>	<u>6,189</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	13	<u>(43,523)</u>		<u>(65,022)</u>	
NET CURRENT LIABILITIES			<u>(38,174)</u>		<u>(58,833)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			10,090		41,429
PROVISIONS FOR LIABILITIES			14	<u>(3,514)</u>	<u>(3,570)</u>
NET ASSETS			<u>6,576</u>		<u>37,859</u>
CAPITAL AND RESERVES					
Called up share capital	15		-		-
Share premium account	16		35,000		35,000
Profit and loss account	16		<u>(28,424)</u>		<u>2,859</u>
SHAREHOLDERS' FUNDS			16	<u>6,576</u>	<u>37,859</u>

The financial statements on pages 4 to 16 were approved by the Board on 21 September 2009 and signed on its behalf.



P Hunter
Director

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

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 2007 to 28 December 2008 and 52 weeks from 1 January 2007 to 30 December 2007. The balance sheets for 2008 and 2007 have been drawn up at 28 December 2008 and 30 December 2007 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. Other revenue including digital revenue is recognised on publication or provision of service. 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.'

Interest income

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

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	-	4% - 50% straight line basis

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.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalized in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives

Intangible fixed assets

Internally developed intangibles are not carried on the balance sheet. Intangible fixed assets represent licences to publishing rights and publishing rights.

Licences to use publishing rights are stated at cost and amortised over the licence period on a straight line basis. Publishing rights are stated at fair value on acquisition. Publishing rights 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 fair value less selling costs and value in use. Value in use is based on the net present value of estimated future cash flows discounted at the company's pre-tax weighted average cost of capital. Any impairment loss is recognised as an expense immediately.

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.

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

1. ACCOUNTING POLICIES (CONTINUED)

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.

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 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 18 for further details.

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.

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 16).

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 28 December 2008, the company was a wholly owned subsidiary and the consolidated financial statements in which the company is included are publicly available (note 21). 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.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions share price volatility has been considered, no account has been taken of any vesting conditions. No expense is recognised for awards that do not ultimately vest, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated with reference to the vesting period expired. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry to reserves.

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 28 December 2008

1. ACCOUNTING POLICIES (CONTINUED)

Recharges from the company's ultimate parent undertaking for the intrinsic value of the option on exercise, that is the difference between the market value on exercise and the option price is taken directly to the profit and loss reserve.

The company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before the date of implementation by this company, 1 January 2007.

For awards granted before 7 November 2002, the company recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards.

2. TURNOVER

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

3. OPERATING EXPENSES

	2008	Restated 2007
	£'000	£'000
Selling and distribution costs	6,201	6,778
Administrative expenses	19,218	19,015
Exceptional restructuring costs	1,243	92
	26,662	25,885
	26,662	25,885

The comparative has been restated to split out exceptional restructuring costs previously included within selling and distribution costs and administrative expenses.

4. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting):

	2008	2007
	£'000	£'000
Depreciation of tangible fixed assets:		
- owned by the company	1,692	1,789
- held under finance leases	28	8
Amortisation of publishing rights licence	2,768	2,768
Impairment of publishing licence	12,414	11,300
Operating lease rentals:		
- hire of plant and machinery	30	24
- land and buildings	106	107
Management charge	872	602
Profit on disposal of fixed assets	(23)	(27)
	(23)	(27)
	(23)	(27)

Audit services for the entire Gannett U.K. Limited group totalling £268,000 (2007 - £260,000) 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.

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 28 December 2008

5. STAFF COSTS

Staff costs were as follows:

	2008 £'000	2007 £'000
Wages and salaries	13,648	14,585
Social security costs	1,079	1,138
Other pension costs	659	722
	15,386	16,445
	15,386	16,445

Included in wages and salaries is a total expense for share-based payments of £58,000 (2007 - £18,000), all of which arises from transactions accounted for as equity-settled share-based payment transactions.

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

	No.	No.
Pre-press	42	60
Printing	61	60
Editorial	160	163
Marketing and sales	161	179
Distribution	85	98
Finance and management	48	51
	557	611
	557	611

There are also 1,153 (2007 - 1,597) 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 2008 was £nil (2007 - £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 RECEIVABLE

	2008 £'000	2007 £'000
Other interest receivable	2	-
	2	-
	2	-

7. INTEREST PAYABLE

	2008 £'000	2007 £'000
Interest payable to group undertakings	1,708	2,592
Unwind of discount on provisions (note 14)	24	27
	1,732	2,619
	1,732	2,619

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 28 December 2008

8. TAX CHARGE ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2008	2007
Analysis of charge in the period:	£'000	£'000
Current tax:		
UK Corporation tax at 28.5% (2007 – 30%)	644	3,439
Adjustment in respect of prior periods	169	(395)
	813	3,044
Deferred taxation:		
Origination and reversal of timing differences	32	135
Adjustment in respect of prior periods	(1)	(59)
Change in the rate of corporation tax	-	(199)
	844	2,921
	813	3,044

The tax charge for the period is different to the standard rate of corporation tax in the UK, time apportioned around the effective date of the rate change (28.5%). The differences are explained below:

	2008	2007
Analysis of charge in the period:	£'000	£'000
(Loss)/profit on ordinary activities before taxation	(40,497)	1,176
	(40,497)	1,176
(Loss)/profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 28.5% (2007 - 30%)	(11,541)	353
Expenses not deductible for tax purposes	14,498	4,231
Capital allowances in period in excess of depreciation	(19)	(245)
Utilisation of tax losses	(2,280)	(900)
Adjustments to tax charge in respect of previous periods	169	(395)
Other timing differences	(14)	-
	813	3,044
	813	3,044

Tax losses arising within the Gannett U.K. 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.

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

9. INTANGIBLE ASSETS

	Licences to publishing rights £'000	Publishing rights £'000	Total £'000
Cost			
At 28 December 2008 and 30 December 2007	69,200	31,262	100,462
Amortisation			
At 31 December 2007	24,448	-	24,448
Charge for the period	2,768	-	2,768
Impairment charge	35,527	12,414	47,941
At 28 December 2008	62,743	12,414	75,157
Net book value			
At 28 December 2008	6,457	18,848	25,305
At 30 December 2007	44,752	31,262	76,014

On 31 March 2003 the company purchased a licence to publish the titles owned by Newsquest (Wiltshire) Limited for 25 years for cash consideration of £69,200,000.

The above impairment charge of £47,941,000 is a result of the company's impairment review following the weak operating performance during the period of the company's publishing rights. The value in use calculation for this cash generating unit was derived from discounted cash flow projections using a weighted average cost of capital of 10%.

10. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Construction in progress £'000	Total £'000
Cost				
At 31 December 2007	13,200	26,457	217	39,874
Additions	-	186	272	458
Disposals	-	(252)	(10)	(262)
Transfers to group companies	-	(7)	-	(7)
Reclassifications	15	169	(184)	-
At 28 December 2008	13,215	26,553	295	40,063
Depreciation				
At 31 December 2007	2,935	12,691	-	15,626
Charge for period	457	1,263	-	1,720
Disposals	-	(242)	-	(242)
At 28 December 2008	3,392	13,712	-	17,104
Net book value				
At 28 December 2008	9,823	12,841	295	22,959
At 30 December 2007	10,265	13,766	217	24,248

Land and buildings at net book value includes freeholds of £9,823,000 (2007 - £10,265,000), of which £165,000 (2007 - £165,000) is freehold land which is not depreciated. Included in construction in progress are costs of £41,000 (2007 - £205,000) in respect of freehold buildings. Also, included within plant and equipment are leased assets with a net book value of £182,000 (2007 - £80,000).

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

11. STOCKS

	2008	2007
	£'000	£'000
Raw materials	455	291
	<u>455</u>	<u>291</u>

12. DEBTORS

	2008	2007
	£'000	£'000
Due within one year		
Trade debtors	3,802	4,898
Amounts owed by group undertakings	597	303
Other debtors	106	405
Prepayments and accrued income	372	292
	<u>4,877</u>	<u>5,898</u>

13. CREDITORS

	2008	2007
	£'000	£'000
Amounts falling due within one year		
Bank loans and overdrafts	-	208
Trade creditors	272	227
Amounts owed to group undertakings	39,051	57,759
Corporation tax	552	3,347
Other taxation and security	1,008	1,427
Other creditors	540	51
Accruals and deferred income	2,100	2,003
	<u>43,523</u>	<u>65,022</u>

14. PROVISIONS FOR LIABILITIES

	Deferred tax	Post retirement medical costs	Leasehold property provision	Total
	£'000	£'000	£'000	£'000
At 31 December 2007	3,028	517	25	3,570
Charge/(credit) for the period	31	(80)	95	46
Utilisation	-	(26)	(100)	(126)
Unwind of discount on provisions	-	23	1	24
	<u>3,059</u>	<u>434</u>	<u>21</u>	<u>3,514</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

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

14. PROVISIONS FOR LIABILITIES (CONTINUED)

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

	Provided	
	2008	2007
	£'000	£'000
Depreciation in excess of capital allowances	3,118	3,081
Other timing differences	(59)	(53)
	<u>3,059</u>	<u>3,028</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.

Deferred taxation on rolled over capital gains of £457,000 (2007 - £473,000) has not been provided. There is no other unprovided deferred tax.

15. CALLED UP SHARE CAPITAL

	2008	2007
	£	£
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
 Allotted, called up and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

16. RESERVES AND RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital	Share premium account	Profit and loss account	Total
	£'000	£'000	£'000	£'000
At 1 January 2007	-	35,000	14,586	49,586
Loss for the period	-	-	(1,745)	(1,745)
Dividends declared and paid	-	-	(10,000)	(10,000)
Share-based payment	-	-	18	18
	<u>-</u>	<u>35,000</u>	<u>2,859</u>	<u>37,859</u>
At 30 December 2007	-	35,000	2,859	37,859
Loss for the period	-	-	(41,341)	(41,341)
Share-based payment	-	-	58	58
Capital contribution	-	-	10,000	10,000
	<u>-</u>	<u>35,000</u>	<u>(28,424)</u>	<u>6,576</u>
At 28 December 2008	-	35,000	(28,424)	6,576

Profit and loss account reserve

Included within the profit and loss account is £134,000 (2007 - £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.

During the period the company received a capital contribution of £10,000,000 from its parent company, Newsquest Media Group Limited. The capital contribution may be returned as a distribution by way of a dividend or on a winding up.

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 28 December 2008

17. OTHER COMMITMENTS

At 28 December 2008 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Plant and machinery	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Expiry date				
Within one year	2	42	6	6
Between 2 and 5 years	72	23	5	1
In more than 5 years	-	20	-	-

At 28 December 2008 the company had no capital commitments (2007 - £nil).

18. 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 £622,000 (2007 - £694,000) 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 £37,000 (2007 - £28,000).

19. SHARE-BASED PAYMENTS

Employee Share Option Plan

The company participates in the Gannett Co., Inc. 2001 Omnibus Incentive Compensation Plan. Under the plan discretionary share options in the Group's ultimate parent undertaking, Gannett Co., Inc. are granted to employees. Gannett Co., Inc.'s shares are publicly traded on the New York Stock Exchange and the exercise price of the options is equal to the actual closing market price of the shares on the date of grant. The options vest evenly over four years from the date of grant provided that the employee remains in service. The contractual life of the options is 8 years and there are no cash settlement alternatives.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2008	2008	2007	2007
	No	WAEP	No.	WAEP
Outstanding as at 31 December 2007 and 1 January 2007	129,472	\$68.59	140,896	\$70.92
Granted during the year	18,400	\$7.53	9,000	\$35.84
Forfeited during the year	(33,708)	\$68.58	(4,260)	\$72.56
Exercised	-	-	(300)	\$56.54 ²
Transferred from/(to) fellow subsidiaries	5,875	\$70.73	(15,864)	\$69.87
Outstanding at 28 December 2008 ¹ and 30 December 2007 ¹	84,255	\$59.34	129,472	\$68.59
Exercisable at 28 December 2008 and 30 December 2007	120,039	\$72.06	95,641	\$73.88

¹ Included within this balance are options over 15,376 (2007: 20,359) shares that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20.

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 28 December 2008

19. SHARE-BASED PAYMENTS (CONTINUED)

² The weighted average share price at the date of exercise for the options exercised in 2007 was \$63.10.

For the share options outstanding at 28 December 2008, the weighted average contractual life is 4.39 years (2007: 4.62 years).

The weighted average fair value of options granted during the year was \$0.06 (2007 - \$3.80). The range of exercise prices for options outstanding at the end of 2008 was \$7.53 - \$87.33 (2007: \$35.84 - \$87.33).

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model for the years ended 28 December 2008 and 30 December 2007.

	2008	2007
Dividend yield (%)	13.3%	4.20%
Expected share price volatility (%)	34.63%	16.77%
Risk-free interest rate (%)	1.55%	3.51%
Expected life of options (years)	4.5	4.5
Weighted average share price	\$7.53	\$35.84

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.

Chairman's Award Scheme

Out of the 2001 Omnibus Incentive Compensation Plan discretionary shares have been awarded to certain employees. Title to the shares passes to the employee on expiration of the four year incentive period provided that the employee remains in service with the group. For grants made in 2005, during the incentive period the employee is entitled to receive an amount equal to the cash dividend Gannett Co., Inc. would have paid had the employee actually owned the shares. This does not apply to subsequent grants

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2008 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding as at 31 December 2007 and 1 January 2007	125	\$52.12	125	\$52.12
Granted during the year	450	\$16.91	-	-
Fortified during the year	(300)	\$16.91	-	-
Outstanding at 28 December 2008 and 30 December 2007	<u>275</u>	<u>\$32.91</u>	<u>125</u>	<u>\$52.12</u>

Restricted stock

Restricted stock are discretionary shares awarded to certain individuals out of the 2001 Omnibus Incentive Compensation Plan. Each share awarded entitles the employee to receive one share of Gannett Co., Inc.'s common stock on the expiration of the incentive period, which vest 4 years after the grant date.

	2008 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding as at 31 December 2007 and 1 January 2007	3,550	\$35.84	-	-
Granted during the year	6,160	\$7.53	3,550	\$35.84
Fortified during the year	(1,050)	\$35.84	-	-
Transferred from fellow subsidiaries	100	\$35.84	-	-
Outstanding at 28 December 2008 and 30 December 2007	<u>8,760</u>	<u>\$15.93</u>	<u>3,550</u>	<u>\$35.84</u>

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

19. SHARE-BASED PAYMENTS (CONTINUED)

Savings Related Share Option Scheme ('ShareSave Plan')

The company participates in the Group's savings related share option scheme. Under the ShareSave Plan, employees were granted options to purchase shares at the end of a 3 year savings period, at a price of £47.20 (\$86.85) per share. Although the scheme matured at the end of August 2007, employees retained the right to use their savings to exercise their option over the shares for six months after the date of maturity. The right to exercise lapsed during the year.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, the ShareSave scheme during the year.

	2008	2008	2007	2007
	No.	WAEP	No.	WAEP
Outstanding as at 31 December 2007 and 1 January 2007	5,061	\$86.85	5,238	\$86.85
Forfeited during the year	<u>(5,061)</u>	\$86.85	<u>(177)</u>	\$86.85
Outstanding at 28 December 2008 and 30 December 2007	<u><u>-</u></u>	\$86.85	<u><u>5,061</u></u>	\$86.85

The fair value of equity-settled share options granted is based on the closing share price at the time of the ShareSave launch, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model for the current ShareSave scheme, which commenced on 15 July 2004.

	2008	2007
Dividend yield (%)	1.33%	1.33%
Expected share price volatility (%)	19.16%	19.16%
Risk-free interest rate (%)	3.83%	3.83%
Expected life of options (years)	7	7
Weighted average share price	\$86.85	\$86.85

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.

20. 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.

21. 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.