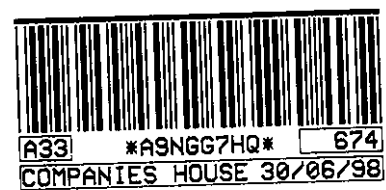


NEWSQUEST (OXFORDSHIRE) LIMITED

**Directors' Report and Financial Statements
for the year ended 31 December 1997**



REPORT AND FINANCIAL STATEMENTS 1997

CONTENTS	Page
Directors' report	1
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity continues to be that of publishing newspapers.

The directors are satisfied with the performance of the company in its second period of trading.

RESULTS AND DIVIDENDS

The retained profit for the year amounted to £1,043,000 (period from 11 July 1996 to 31 December 1996 - £770,000), and has been transferred to the company's reserves.

The directors do not recommend that a dividend is paid (1996 £500,000).

Comparative figures for sales and operating expenses are not comparable as a result of classification changes following acquisition by Newsquest.

DIRECTORS

The directors who served during the year are listed below. The interests of Messrs Brown, Davidson and Pfeil in the shares of Newsquest plc, the ultimate parent company, are detailed in the report and financial statements of that company. The interests of Messrs Aiken, Christie and Radburn in the shares of Newsquest plc are detailed in the report and financial statements of Newsquest Media Group Limited.

J T Brown
I W Aiken
D G Christie
P Davidson
J C Pfeil
P A Radburn

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms subject to the terms and conditions being met by the supplier. The number of days purchases within trade creditors at the year end was 11.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Details of political and charitable contributions are contained in the report and financial statements of Newsquest plc, the ultimate parent company.

EMPLOYEE PARTICIPATION

Employee participation processes have continued throughout the year. 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 year.

DISABLED PERSONS

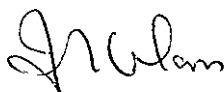
It is the policy of the company to consider the skills and aptitudes of disabled persons fully and fairly at all times in recruitment, career development, training and promotion. In pursuing this policy and having special concern for employees who become disabled, all practical measures are taken to ensure that disabled persons are placed in jobs suited to their individual circumstances.

DIRECTORS' REPORT

AUDITORS

The auditors, Deloitte & Touche, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the Board on 9 April 1998 and signed on its behalf.



Jo Glass
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 as at the end of the financial year and of the profit or loss of the company for that year. 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.

NEWSQUEST (OXFORDSHIRE) LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

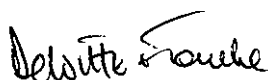
Basis of opinion

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 affairs of the company at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London
EC4A 3TR

14 April 1998

NEWSQUEST (OXFORDSHIRE) LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1997

		Year ended 31 December 1997 £'000	Period from 11 July 1996 to 31 December 1996 £'000
	Note		
TURNOVER	1,2	16,471	5,864
Cost of sales		(4,426)	(3,787)
GROSS PROFIT		<u>12,045</u>	<u>2,077</u>
Operating expenses	3	(10,565)	(523)
OPERATING PROFIT	4	<u>1,480</u>	<u>1,554</u>
Interest payable	6	(19)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,461</u>	<u>1,554</u>
Tax on profit on ordinary activities	7	(418)	(284)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,043</u>	<u>1,270</u>
Ordinary dividends – interim paid		-	(500)
RETAINED PROFIT FOR THE FINANCIAL PERIOD	16	<u><u>1,043</u></u>	<u><u>770</u></u>

All the above transactions relate to continuing operations.

There were no recognised gains or losses for the year 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

31 December 1997

	Note	£'000	1997 £'000	£'000	1996 £'000
FIXED ASSETS					
Intangible assets	8		31,262		31,262
Tangible fixed assets	9		3,414		2,159
			<u>34,676</u>		<u>33,421</u>
CURRENT ASSETS					
Stocks	10	199		129	
Debtors	11	4,392		4,312	
Cash at bank and in hand		127		68	
		<u>4,718</u>		<u>4,509</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(2,666)		(2,195)	
NET CURRENT ASSETS			<u>2,052</u>		<u>2,314</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			36,728		35,735
PROVISIONS FOR LIABILITIES AND CHARGES	13		(48)		(98)
NET ASSETS			<u>36,680</u>		<u>35,637</u>
CAPITAL AND RESERVES					
Called up share capital	14		-		-
Share premium account	15		35,000		35,000
Goodwill reserve	15		(133)		(133)
Profit and loss account	15		1,813		770
EQUITY SHAREHOLDERS' FUNDS	16		<u>36,680</u>		<u>35,637</u>

The financial statements were approved by the Board on 9 April 1998 and signed on its behalf

J C Pfeil

J C Pfeil
Director

NOTES TO THE ACCOUNTS

Year ended 31 December 1997

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 and include the results of the company's operations which are described in the Directors' Report and all of which are continuing. The accounts reflect a 52 week trading period.

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 distribution.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. No depreciation is provided on land. Depreciation of the remaining fixed assets is provided over their expected useful lives on the following bases:

Freehold buildings	-	2% straight line basis
Plant and equipment	-	2% - 50% straight line basis
Construction in progress	-	Nil %

Upon completion, the assets under the heading of construction in progress are transferred to the appropriate fixed asset category and depreciated accordingly.

Intangible fixed assets

Publishing rights and titles are stated at fair value on acquisition and are not subsequently revalued. Having no finite economic life, no systematic amortisation is applied but provision is made for any permanent impairment in value. Internally developed intangibles are not carried on the balance sheet.

Stocks

Stocks are valued at the lower of cost, on a first in first out basis, and net realisable value.

Deferred taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes which are expected to reverse in the future, calculated at the rate at which it is expected the tax will arise. 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.

Pensions

Employees are members of the Newsquest Pension Scheme ("the Scheme"), a defined benefit scheme. The expected cost of pensions in respect of the Scheme are charged to the profit and loss account so as to spread the costs over the service lives of employees in the Scheme. Actuarial surpluses and deficits are allocated over the average expected remaining service lives of employees. Pension costs are assessed in accordance with the advice of qualified actuaries.

Goodwill

On the acquisition of the trade and assets of a business, the purchase consideration is allocated between the underlying tangible assets on a fair value basis. Any goodwill arising is treated as a goodwill reserve.

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 31 December 1997 the company was a wholly owned subsidiary and the consolidated financial statements in which the company is included are publicly available.

Therefore, a cash flow statement is not required under Financial Reporting Standard 1.

NOTES TO THE ACCOUNTS

Year ended 31 December 1997

Post retirement medical benefit cost

Post retirement benefits other than pensions are accounted for on an accruals basis to recognise this obligation over the working lives of the employees concerned.

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

	Year ended 31 December 1997 £'000	Period from 11 July 1996 to 31 December 1996 £'000
Distribution costs	2,050	345
Administrative expenses	8,515	178
Total	10,565	523

Included in administrative expenses in the prior period are operating exceptional items aggregating to a net credit of £99,000, reflecting changes in accounting practice following the change of ownership.

4. OPERATING PROFIT

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

	Year ended 31 December 1997 £'000	Period from 11 July 1996 to 31 December 1996 £'000
Depreciation of tangible fixed assets:		
- owned by the company	453	176
- change in depreciation rates on change in ownership	-	476
Operating lease rentals:		
- hire of plant and machinery	19	5
- land and buildings	56	70
Reversal of pension provision	-	(684)
Management charge	3,011	-
(Profit)/loss on disposals of fixed assets	(1)	3

Audit fees are borne by the company's parent company.

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

5. STAFF COSTS

Staff costs were as follows:

	Year ended 31 December 1997 £'000	Period from 11 July 1996 to 31 December 1996 £'000
Wages and salaries	3,956	1,419
Social security costs	353	132
Other pension costs	112	2
	<u>4,421</u>	<u>1,553</u>

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

	No.	No.
Pre-press	46	47
Printing	25	0
Editorial	81	85
Marketing and sales	61	68
Distribution	36	9
Finance and management	10	10
	<u>259</u>	<u>219</u>

Directors' remuneration

The company paid no emoluments to the directors during the period. 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

	Year ended 31 December 1997 £'000	Period from 11 July 1996 to 31 December 1996 £'000
Other interest payable	<u>19</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

7. TAXATION

	Year ended 31 December 1997 £'000	Period from 11 July 1996 to 31 December 1996 £'000
Corporation tax	479	476
Deferred taxation	(15)	(192)
Adjustments in respect of prior years:		
Corporation tax	(11)	-
Deferred taxation	(35)	-
	<u>418</u>	<u>284</u>

8. INTANGIBLE ASSETS

	1997 £'000	1996 £'000
Publishing rights		
Cost		
At 1 January and 31 December	<u>31,262</u>	<u>31,262</u>
Net book value		
At 1 January and 31 December	<u>31,262</u>	<u>31,262</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

9. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 1997	1,675	4,744	6,419
Additions	-	1,714	1,714
Disposals	-	(13)	(13)
Transfers	-	(13)	(13)
At 31 December 1997	<u>1,675</u>	<u>6,432</u>	<u>8,107</u>
Depreciation			
At 1 January 1997	430	3,830	4,260
Charge for period	38	415	453
On disposals	-	(13)	(13)
Transfers	-	(7)	(7)
At 31 December 1997	<u>468</u>	<u>4,225</u>	<u>4,693</u>
Net book value			
At 31 December 1997	<u>1,207</u>	<u>2,207</u>	<u>3,414</u>
At 31 December 1996	<u>1,245</u>	<u>914</u>	<u>2,159</u>

Land and buildings at net book value includes freeholds of £1,198,000 (1996 - £1,236,000) and long leaseholds of £9,000 (1996 - £9,000). Included in land and buildings is freehold land with a book value of £113,000.

10. STOCK

	1997 £'000	1996 £'000
Raw materials	<u>199</u>	<u>129</u>

11. DEBTORS

	1997 £'000	1996 £'000
Due within one year		
Trade debtors	2,096	1,970
Amounts owed by group undertakings	2,138	2,142
Other debtors	16	127
Prepayments and accrued income	142	73
	<u>4,392</u>	<u>4,312</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

12. CREDITORS

	1997	1996
	£'000	£'000
Amounts falling due within one year		
Trade creditors	367	331
Amounts owed by group undertakings	216	457
Corporation tax	469	476
Other creditors including taxation and social security	913	548
Accruals and deferred income	701	383
	<u>2,666</u>	<u>2,195</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	1997	1996
	£'000	£'000
Deferred tax liability		
At 1 January 1997	98	-
Credit for the year	(50)	(192)
Intercompany transfer	-	290
	<u>48</u>	<u>98</u>

14. CALLED UP SHARE CAPITAL

	1997	1996
	£	£
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>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

15. RESERVES

	1997 £'000	1996 £'000
Share premium account		
At 1 January 1997 and 31 December 1997	35,000	35,000
Goodwill reserve		
At 1 January 1997 and 31 December 1997	(133)	(133)
Profit and loss account		
At 1 January 1997	770	-
Profit for the period	1,043	770
At 31 December 1997	1,813	770

Profit and loss account reserve

£4,000 of the profit and loss account reserve of £1,813,000 is not distributable as it represents a proportion of goodwill which is deemed to be a realised loss.

16. SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
Profit for the period	1,043	770
Share premium on shares issued	-	35,000
Goodwill arising on purchase of trade and assets	-	(133)
Net additions to shareholders' funds	1,043	35,637
Opening shareholders' funds	35,637	-
Closing shareholders' funds	36,680	35,637

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

17. OTHER COMMITMENTS

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Plant and machinery	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Expiry date				
Within 1 year	2	-	-	-
Between 2 and 5 years	7	8	16	16
In more than 5 years	44	44	-	-
	<u>44</u>	<u>44</u>	<u>-</u>	<u>-</u>

At 31 December 1997 the company had the following capital commitments:

	1997	1996
	£'000	£'000
Contracted for but not provided in these accounts	56	-
	<u>56</u>	<u>-</u>

18. PENSIONS

The company is a member of the Newsquest Pension Plan, 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 Newsquest plc for the period ended 31 December 1997. The pension costs relating to the group plan are assessed in accordance with the advice of a qualified actuary.

The total pension cost for the period was £112,000 (period from 11 July 1996 to 31 December 1996 - £2,000).

19. RELATED PARTIES

The company is 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 FRS 8 paragraph 3 (c) from disclosure of transactions with entities that are part of the group or investees of the group qualifying as related parties.

20. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Newsquest plc, a company incorporated in Great Britain and registered in England and Wales. The annual report and consolidated financial statements of Newsquest plc can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.