Company Registration No. 1676637

NEWSQUEST MEDIA GROUP LIMITED

Directors' Report and Financial Statements for the 53 weeks ended 31 December 2006

REPORT AND FINANCIAL STATEMENTS 2006

CONTENTS

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the 53 weeks ended 31 December 2006

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

Newsquest Media Group Limited is the parent operating company of a group of companies operating within the publishing and printing industry The company provides management services to group companies, including a sales service in respect of leaflet distribution and national advertising

On 16 October 2006 the company received 10 ordinary £1 shares from Newsquest (North West) Limited, a subsidiary company, at a premium of £1,396,999 per share in exchange for the beneficial ownership of the entire issued share capital of Newsquest (Kendal) On the same date the company received 10 ordinary shares from Newsquest (North West) Limited at a premium of £899,999 per share in exchange for the beneficial and legal ownership of the entire issued share capital of Newsquest (Cheshire/Merseyside) Limited

During the period the company received from its parent company, Newsquest Capital plc, a capital contribution of £412,283,197

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

	*53 weeks 2006 £'000	*52 weeks 2005 £'000	*Change* %
Turnover	2,089	3,620	-42 3%
Operating profit	6,957	7,100	-2 0%

*The profit and loss accounts cover the 53 weeks from 26 December 2005 to 31 December 2006 and the 52 weeks from 27 December 2004 to 25 December 2005 (as restated on the adoption of FRS20)

The decline in turnover is the result of lower volumes of leaflet advertising

During the year there was a series of cost reduction and restructuring of processes to mitigate the impact of the decline in revenue Year on year operating profit is 2% lower

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates as an intermediary holding company within the Gannett Co , Inc group of companies All of its material transactions are with fellow group undertakings and as such its activities are dependent on the activities of the Gannett Co , Inc group of companies as a whole

The risks and uncertainties facing the company are linked to those of the group A discussion of the Group risks and uncertainties is contained in the group's annual report

RESULTS AND DIVIDENDS

The company's profit for the period after taxation was £84,515,000 (2005 - £104,105,000 restated)

Interim dividends of £101,918,143 were paid on ordinary shares (2005 - £89,875,751) and £4,249 on preference shares during the period (2005 - £4,249) No final dividends are proposed (2005 - £nil)

DIRECTORS AND THEIR INTERESTS

The directors who served during the period are listed below

P Davidson
P Hunter
T Blott
R Mills
P Radburn (resigned 30 June 2006)

None of the directors had any interest in the shares of the company

DIRECTORS' REPORT

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

POLITICAL AND CHARITABLE DONATIONS

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 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 2006 the actual recycled content of newsprint used in the production of newspapers by the industry increased to 80 6%

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

DIRECTORS' REPORT

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 4 September 2007 and signed on its behalf

N Carpenter
Joint Company secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEWSQUEST MEDIA GROUP LIMITED

We have audited the company's financial statements for the 53 weeks ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 24 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 Annual Report and 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

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 31 December 2006 and of its profit for 53 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

Ernst & Young LLP
Registered auditor
London
Date 27th September 2007

PROFIT AND LOSS ACCOUNT
53 weeks ended 31 December 2006 (note 1)

	Note	53 weeks ended 31 December 2006 £'000	Restated 52 weeks ended 25 December 2005 £'000
TURNOVER	1, 2	2,089	3,620
Cost of sales		(1,461)	(2,461)
GROSS PROFIT		628	1,159
Operating expenses	3	(10,697)	(11,270)
Amounts written back to/(off) investments		75	(960)
Other operating income	5	16,951	18,171
OPERATING PROFIT	6	6,957	7,100
Income from fixed asset investments	7	77,822	127,130
Interest receivable and similar income	8	9,448	10,454
Interest payable and similar charges	9	(10,083)	(40,155)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		84,144	104,529
Tax credit/(charge) on profit on ordinary activities	11	371	(424)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	19	84,515	104,105

All the company's activities were in respect of continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the 53 weeks ended 31 December 2006 (note 1)

	2006 £'000	2005 £'000
PROFIT FOR THE FINANCIAL PERIOD AND TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	84,515	104,105
Prior year adjustment (see note 1)	(3,798)	-
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL REPORT	80,717	104,105

BALANCE SHEET
31 December 2006 (note 1)

	Note	£'000	2006 £'000	£'000	Restated 2005 £'000
FIXED ASSETS					
Tangible assets	12		3,858		4,024
Investments	13		539,198		539,198
			543,056		543,222
CURRENT ASSETS					
Debtors	14	165,367		188,178	
Cash at bank and in hand		7,615		2,454	
		172,982		190,632	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(225,245)		(638,423)	
NET CURRENT LIABILITIES			(52,263)		(447,791)
TOTAL ASSETS LESS CURRENT LIABILITIES			490,793		95,431
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	15		(620)		(425)
PROVISIONS FOR LIABILITIES AND CHARGES	16		(553)		(626)
NET ASSETS			489,620		94,380
CAPITAL AND RESERVES					
Called up share capital	18		1		1
Share premium account	19		50,418		50,418
Merger reserve	19		1,907		1,907
Capital contribution	19		412,283		-
Profit and loss account	19		25,011		42,054
TOTAL SHAREHOLDERS' FUNDS	19		489,620		94,380

The financial statements on pages 5 to 21 were approved by the Board on 4 September 2007 and were signed on its behalf

Paul Hunter

P Hunter
Director

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

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 53 weeks from 26 December 2005 to 31 December 2006 and 52 weeks from 27 December 2004 to 25 December 2005 The balance sheets for 2006 and 2005 have been drawn up at 31 December 2006 and 25 December 2005 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 the 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 '

Income from fixed asset investments

Income from fixed asset investments comprises dividends from group undertakings, which are included in revenue in the period in which the company's right to receive payment is established

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	-	4% - 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

Investments

Investments held as fixed assets are stated at cost, less provision, if appropriate, for any impairment in value other than a temporary impairment in value

The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

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

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

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

1 ACCOUNTING POLICIES (CONTINUED)

Pensions

The company operates 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 21 for further details

In respect of the company's 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

Operating leases

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

Group accounts and cash flow statement

The company, as it is a wholly owned subsidiary itself, is not required to prepare group accounts under Section 228 of the Companies Act 1985 because its parent undertaking is established under the law of a member state of the EU Accordingly the financial statements present information about the company rather than the group as a whole A cash flow statement is not required under Financial Reporting Standard 1 (revised), as the company is a wholly owned subsidiary and the group's financial statements are publicly available (note 24)

Financial Instruments

The adoption of FRS25 has resulted in a change in accounting policy in respect of preference shares These shares are now treated as liabilities rather than shareholders' equity The effect of this change in policy has been to reduce equity shareholders' funds by £424,900 with a corresponding increase in creditors amounts falling due after more than one year The prior year comparatives have also been restated, as noted below

Share-based payments

Equity settled transactions

The adoption of FRS 20 share-based payments, has resulted in a change in accounting policy as set out in the paragraphs below The effect of this change in policy has been to reduce the current year income statement by £365,000 with a corresponding credit to reserves The prior year comparatives have also been restated as noted below

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, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company 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, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions number of equity instruments that will ultimately vest The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in reserves

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

1. ACCOUNTING POLICIES (CONTINUED)

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification No reduction is recognised if this difference is negative

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement

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 1 January 2006

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

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date Changes in the carrying amount for the liability are recognised in the profit and loss account

The effect of this change in policy has been to reduce the current year income statement by £195,000 with a corresponding increase to creditors amounts falling due after more than one year There were no cash-settled transactions to be accounted for in the prior period

Change in accounting policy and restatement of comparatives

The prior year comparative numbers have been restated following the adoption of FRS 25 and FRS 20 as noted in the paragraphs above

The effect on prior year comparative numbers following the adoption of FRS 25 has been to reduce equity shareholders' funds by £424,900, with a corresponding increase in creditors amounts falling due after more than one year This reclassification has had no profit and loss impact

The effect of adopting FRS 20 in respect of equity-settled awards was a charge to wages and salaries with a corresponding credit to reserves of £2,478,000 in 2005 and £1,360,000 in prior years Recharges for the intrinsic value of the options exercised in 2005 of £40,000 previously charged to the income statement in 2005 have been taken directly to reserves and the comparatives restated on adoption of FRS 20 The net effect of the above prior year adjustment is a cumulative charge of £3,798,000 as shown in the statement of total recognised gains and losses

2. TURNOVER

The whole of the turnover is attributable to the one principal activity of the company being the provision of management services to group companies, including a sales service in respect of leaflet distribution and national advertising all of which arises in the United Kingdom.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

3. OPERATING EXPENSES

	53 weeks ended 31 December 2006 £'000	Restated 52 weeks ended 25 December 2005 £'000
Selling and distribution costs	2,449	2,580
Administrative expenses	8,248	8,690
	10,697	11,270

4 STAFF COSTS

	2006 £'000	Restated 2005 £'000
Wages and salaries	5,977	7,296
Social security costs	560	437
Other pension costs	626	706
	7,163	8,439

Included in wages and salaries is a total expense for share-based payments of £559,000 (2005 - £2,478,000), of which £365,000 (2005 - £2,478,000) arises from transactions accounted for as equity-settled share-based payment transactions Recharges for the intrinsic value of the options exercised in 2005 of £40,000 previously included in wages and salaries in 2005 have been taken directly to reserves and the comparatives restated on adoption of FRS 20

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

	No.	No.
Marketing and sales	51	54
Distribution	26	19
Finance and management	61	57
	138	130

5. OTHER OPERATING INCOME

	2006 £'000	2005 £'000
Charges to subsidiaries and sister companies	16,951	18,171

6. OPERATING PROFIT

Operating profit is stated after charging/(crediting)	2006 £'000	2005 £'000
Operating lease rentals		
- Land and buildings	213	178
Depreciation – owned assets	363	401
Auditors' remuneration - non-audit fees	75	-
Profit on disposal of fixed assets	(4)	(4)
Management charges	25	28

Audit Recharges for audit services for the entire Gannett U K Limited group totalling £252,000 (2005 - £240,000) were borne by Newsquest Media Group Limited in the current and prior period

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

7. INCOME FROM FIXED ASSET INVESTMENTS

	2006 £'000	2005 £'000
Dividends from group undertakings	77,822	127,130

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £'000	2005 £'000
Interest receivable	1,001	1,974
Interest receivable from group undertakings	8,447	8,480
	9,448	10,454

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000	Restated 2005 £'000
Bank overdraft facilities	4	6
Unwind of discount on provisions	27	8
Cumulative redeemable preference shares	4	4
Other interest	-	11
Interest payable to group undertakings	10,048	40,126
	10,083	40,155

Following the adoption of FRS25, dividends payable on preference shares have been reclassified from dividends on the face of the profit and loss account to interest payable and similar charges

10. DIRECTORS' EMOLUMENTS

The emoluments of the directors were as follows

	2006 £'000	2005 £'000
Executive directors' salaries	923	946
Taxable benefits	57	53
Performance related payments	218	210
Pension scheme contributions	54	54
	1,252	1,263

The aggregate emoluments of the highest paid director were £495,078 (2005 - £441,875) The accrued pension for the highest paid director in 2006 was £136,862 per annum (2005 - £119,922 per annum) Payments to a pension scheme of £20,739 (2005 - £19,246) were made on behalf of the highest paid director During the year the highest paid director was granted share options under a long-term incentive scheme but did not exercise any share options

Retirement benefits accrued to 5 directors under a defined benefit scheme during this year

At 31 December 2006 the number of directors in respect of whose qualifying services shares in the company's ultimate parent company Gannett Co Inc were received or receivable under long-term incentive schemes is 4 (2005 – 5) None of the directors exercised share options in the company's ultimate parent undertaking Gannett Co Inc during the year (2005 – nil)

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

11 TAX CREDIT/(CHARGE) ON PROFIT ON ORDINARY ACTIVITIES

Analysis of credit/(charge) for the period:	**2006 £'000**	**2005 £'000**
Current tax		
UK Corporation tax at 30% (2005 – 30%)	-	-
Adjustment in respect of prior periods	406	(396)
Total current tax (see below)	406	(396)
Deferred taxation		
Origination and reversal of timing differences	(40)	30
Adjustment in respect of prior periods	5	(58)
	371	(424)

The tax credit/(charge) for the period is different to the standard rate of corporation tax in the UK (30%) The differences are explained below

Analysis of credit/(charge) for the period:	**2006 £'000**	**Restated 2005 £'000**
Profit on ordinary activities before taxation	84,144	104,529
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%)	(25,243)	(31,359)
Dividends from group undertaking that are not subject to tax	23,347	38,139
Expenses that may not qualify as deductible for tax purposes	(202)	(959)
Timing differences relating to pensions	-	(24)
Capital allowances for the period in excess of depreciation	11	(11)
Surrender of tax losses	(6,967)	(5,786)
Interest waived	9,054	-
Adjustments to tax charge in respect of previous periods	406	(396)
	406	(396)

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

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

12. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 26 December 2005	3,418	2,005	5,423
Additions	-	215	215
Disposals	-	(190)	(190)
Net transfers from group companies	-	20	20
At 31 December 2006	3,418	2,050	5,468
Depreciation			
At 26 December 2005	90	1,309	1,399
Charge for the period	46	317	363
Disposals	-	(156)	(156)
Net transfers from group companies	-	4	4
At 31 December 2006	136	1,474	1,610
Net book value			
At 31 December 2006	3,282	576	3,858
At 25 December 2005	3,328	696	4,024

Land and buildings comprises freehold land and buildings with a book value of £3,282,000 (2005 - £3,328,000), within which freehold land amounts to £1,133,000 (2005 - £1,133,000)

13. INVESTMENTS

	Other investments £'000	Investments in subsidiary undertakings £'000	Total £'000
Cost			
At 26 December 2005	13,195	553,343	566,538
Additions	50	22,970	23,020
Disposals	-	(22,970)	(22,970)
Loan repayment	(125)	-	(125)
At 31 December 2006	13,120	553,343	566,463
Provisions			
At 26 December 2005	13,195	14,145	27,340
Charge for the period	50	-	50
Provision released on loan repayment	(125)	-	(125)
At 31 December 2006	13,120	14,145	27,265
Net book value			
At 31 December 2006	-	539,198	539,198
At 25 December 2005	-	539,198	539,198

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

13. INVESTMENTS (CONTINUED)

Other investments are unquoted The additions to other investments during the period represent investments in Fish 4 Limited Other investments include loans to associated undertakings

The major subsidiary companies of Newsquest Media Group Limited (all of which are incorporated in Great Britain and registered in England and Wales and were wholly owned) at 31 December 2006 were

Name of Company	Nature of business
Newsquest (Investments) Limited	Holding company
Newsquest (Yorkshire & North East) Limited (formerly Newsquest (Bradford) Limited	Printing and publishing
Newsquest (Essex) Limited	Printing and publishing
Exchange Enterprises Limited	Publishing
Newsquest (North West) Limited (formerly Newsquest (Lancashire) Limited)	Printing and publishing
Newsquest (London) Limited	Publishing
Newsquest (Midlands South) Limited	Printing and publishing
Newsquest (North East) Limited	Publishing
Newsquest (Oxfordshire & Wiltshire) Limited	Printing and publishing
Newsquest (Sussex) Limited	Printing and publishing
Newsquest (York) Limited	Printing and publishing

In addition the company has a 33 33% interest in the ordinary £1 shares of Fish 4 Limited whose principal activity during the period was the provision of electronic classified advertising services

On 16 October 2006 the company received 10 ordinary £1 shares from Newsquest (North West) Limited, a subsidiary company, at a premium of £1,396,999 per share in exchange for the beneficial ownership of the entire issued share capital of Newsquest (Kendal) On the same date the company received 10 ordinary shares from Newsquest (North West) Limited at a premium of £899,999 per share in exchange for the beneficial and legal ownership of the entire issued share capital of Newsquest (Cheshire/Merseyside) Limited

14. DEBTORS

	2006 £'000	2005 £'000
Amounts falling due within one year		
Trade debtors	77	99
Amounts owed by group undertakings	129,840	156,482
Corporation tax	20,499	19,900
Other taxation and social security	7,557	4,969
Other debtors	1,341	863
Prepayments and accrued income	6,053	5,865
	165,367	188,178

Other debtors includes a deferred tax asset of £247,000 (note 17)

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

15. CREDITORS

	2006 £'000	Restated 2005 £'000
Amounts fallıng due withın one year		
Trade credıtors	4,029	3,519
Amounts owed to group undertakıngs	218,411	632,451
Other credıtors	375	598
Accruals and deferred ıncome	2,430	1,855
	225,245	638,423
Amounts fallıng due after one year		
Cumulatıve preference shares	425	425
Cash-settled share-based payment	195	-
	620	425

Followıng the adoptıon of FRS 25 ın 2006, the preference shares have been reclassıfied from equıty to credıtors amounts fallıng due after more than one year (see note 1)

The Cumulatıve Redeemable Preference shares can be redeemed at the optıon of the company or the shareholder at any tıme on gıvıng appropnate notıce A premıum of 38 46p per share ıs payable on the redemptıon of the 1% Fırst Cumulatıve Redeemable Preference shares No premıum ıs payable on the redemptıon of the 1% Second Cumulatıve Redeemable Preference shares The 1% Second Cumulatıve Redeemable Preference shares cannot be redeemed whıle any 1% Fırst Cumulatıve Redeemable Preference shares remaın ın ıssue The Cumulatıve Redeemable Preference shareholders have no nghts at any general meetıng other than ın specıal cırcumstances and on a wındıng up are entıtled to receıve theır nomınal value and premıum pnor to ordınary shareholders

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Post retırement medical costs £'000	Leasehold property provısıon £'000	Total £'000
At 26 December 2005	520	106	626
Release for the penod	(28)	(17)	(45)
Utılısatıon	(32)	(23)	(55)
Unwınd of dıscount on provısıons	22	5	27
At 31 December 2006	482	71	553

The leasehold property provısıon ıs expected to be utılısed over the terms of the relevant leases

The post retırement medıcal provısıon wıll be utılısed over the penod that the benefits wıll accrue Thıs ıs expected to be ın excess of five years

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

17 DEFERRED TAX ASSET

	Deferred tax asset £'000
At 26 December 2005	282
Charge for the period	(35)
At 31 December 2006	247

The deferred tax asset is included in other debtors (note 14)

The deferred tax asset recognised can be analysed as follows

	2006 £'000	2005 £'000
Depreciation in excess of capital allowances	174	166
Other timing differences	73	116
	247	282

Deferred taxation on rolled over capital gains of £440,000 (2005 - £nil) has not been provided There is no other unprovided deferred tax

18. CALLED UP SHARE CAPITAL

	2006 Number	2006 £'000	2005 Number	2005 £'000
Authorised				
Ordinary shares of $1 each	1,270	1	1,270	1
Deferred Ordinary shares of £1 each	200	-	200	-
1% First Cumulative Redeemable Preference shares of £1 each	325,000	325	325,000	325
1% Second Cumulative Redeemable Preference shares of £1 each	99,900	100	99,900	100
	426,370	426	426,370	426
Called up, allotted and fully paid				
Ordinary shares of $1 each	1,270	1	1,270	1
Deferred Ordinary shares of £1 each	127	-	127	-
	1,397	1	1,397	1
1% First Cumulative Redeemable Preference shares of £1 each	325,000	325	325,000	325
1% Second Cumulative Redeemable Preference shares of £1 each	99,900	100	99,900	100
	424,900	425	424,900	425

The deferred ordinary shares can be repurchased at the option of the company at any time for an aggregate consideration of £1 which shall be applied for the benefit of the company The deferred ordinary shares are not entitled to any participation in the profits or the assets of the company, other than as indicated below The deferred ordinary shareholder has no right to receive notice of or attend and vote at any general meeting and shall only be entitled to participate in the assets of the company after the holders of every other class of shares in the capital of the company shall have received the sum of £10,000,000 in respect of each share held by them

The preference shares are presented as a liability (see note 15) and accordingly are excluded from called-up share capital in the balance sheet

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

19. RESERVES AND RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000
At 27 December 2004	426	50,418	1,907	-	25,387	78,138
Reclassification of preference shares[1]	(425)	-	-	-	-	(425)
Profit for the period - as restated[2]	-	-	-	-	104,105	104,105
Dividends declared and paid	-	-	-	-	(89,876)	(89,876)
Share-based payment[2]	-	-	-	-	2,478	2,478
Payment to ultimate parent in respect of shares exercised[2]	-	-	-	-	(40)	(40)
At 25 December 2005	1	50,418	1,907	-	42,054	94,380
Profit for the period	-	-	-	-	84,515	84,515
Dividends declared and paid	-	-	-	-	(101,923)	(101,923)
Share-based payment	-	-	-	-	365	365
Capital contribution	-	-	-	412,283	-	412,283
At 31 December 2006	1	50,418	1,907	412,283	25,011	489,620

Capital contribution

During the period the company received a capital contribution of £412,283,197 from its parent company, Newsquest Capital plc The capital contribution may be returned as a distribution by way of a dividend or on a winding up

Prior year adjustments

1 The adoption of FRS 25 has resulted in a change in accounting policy for preference shares The effect on prior year comparative numbers following the adoption of FRS 25 has been to reduce equity shareholders' funds by £424,900, with a corresponding increase in creditors amounts falling due after more than one year This reclassification has had no profit and loss impact

2 The adoption of FRS20 has resulted in a change in accounting policy for share-based payment transactions The effect of adopting the new standard was a charge to wages and salaries with a corresponding credit to reserves of £2,478,000 in 2005 and £1,360,000 in prior years Recharges for the intrinsic value of the options exercised in 2005 of £40,000 previously charged to the income statement in 2005 have been taken directly to reserves and the comparatives restated on adoption of FRS 20 The net effect of the above prior year adjustment is a cumulative charge of £3,798,000 as shown in the statement of total recognised gains and losses

20. COMMITMENTS

The company has annual commitments for non-cancellable operating leases as follows

	Land and buildings 2006 £'000	Land and buildings 2005 £'000
Expiry date		
Between two and five years	193	193
In more than five years	-	22

At 31 December 2006 the company had no capital commitments (2005 - £nil)

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

21 PENSION SCHEMES

The company ıs the prıncıpal employer of the Newsquest Pensıon Scheme, whıch ıs a funded defined benefit scheme, detaıls of whıch, ıncludıng partıculars of the latest actuarıal valuatıon, can be found ın the financıal statements of Gannett U K Lımıted for the perıod ended 31 December 2006

The contrıbutıons made by the group ınto the Scheme, are assessed ın accordance wıth the advıce of a qualıfied ındependent actuary The pensıon costs ın these accounts of £617,000 (2005 - £706,000) are to fund the contrıbutıons to the scheme by the prıncıpal employer of the Newsquest Pensıon Scheme The allocatıon of thıs cost to thıs company ıs based on pensıonable salarıes

The company and ıts ımmedıate parent company have fully adopted FRS17, "Retırement Benefits"

The company has taken advantage of the exemptıon permıtted by paragraph 9 (b) of FRS17 and accounts for the Scheme as ıf ıt were a defined contrıbutıon scheme, as the company ıs unable to ıdentıfy ıts share of the underlyıng assets and lıabılıtıes of the Scheme

Further ınformatıon about the assets and lıabılıtıes of the Scheme and the major assumptıons used by the actuary can be found ın the financıal statements of Gannett U K Lımıted for the perıod ended 31 December 2006

The company also operates a defined contrıbutıon pensıon scheme on behalf of ıts employees The assets of the scheme are held separately from those of the company ın an ındependently admınıstered fund The costs for the year under thıs scheme were £9,000 (2005 - £nıl)

22. SHARE-BASED PAYMENTS

Employee Share Optıon Plan

The company partıcıpates ın the Gannett Co , Inc 2001 Omnıbus Incentıve Compensatıon Plan Under the plan dıscretıonary share optıons ın the Group's ultımate parent undertakıng, Gannett Co , Inc are granted to employees Gannett Co , Inc 's shares are publıcly traded on the New York Stock Exchange and the exercıse prıce of the optıons ıs equal to the actual closıng market prıce of the shares on the date of grant The optıons vest evenly over four years from the date of grant provıded that the employee remaıns ın servıce The contractual lıfe of the optıons ıs 8 years and there are no cash settlement alternatıves

The followıng table ıllustrates the number and weıghted average exercıse prıces (WAEP) of, and movements ın, share optıons durıng the year

	2006 No.	2006 WAEP	2005 No.	2005 WAEP
Outstandıng as at 26 December 2005[1]	617,115	$74 80[1]	558,665	$77 07[1]
Granted durıng the year	41,725	$59 96	101,850	$60 29
Forfeıted durıng the year	(34,500)	$72 35	(16,727)	$81 88
Exercısed	(8,500)	$54 31[3]	(26,673)	$62 57[2]
Outstandıng at 31 December 2006	615,840	$74 21	617,115	$74 80
Exercısable at 31 December 2006	499,078	$77 49	489,043	$78 06

[1] Included wıthın thıs balance are optıons over 104,275 (2005 127,400) shares that have not been recognısed ın accordance wıth FRS 20 as the optıons were granted on or before 7 November 2002 These optıons have not been subsequently modıfied and therefore do not need to be accounted for ın accordance wıth FRS 20

[2] The weıghted average share prıce at the date of exercıse for the optıons exercısed ıs $76 04

[3] The weıghted average share prıce at the date of exercıse for the optıons exercısed ıs $60 91

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

22. SHARE-BASED PAYMENTS (CONTINUED)

For the share options outstandmg at 31 December 2006, the weighted average contractual life is 5 26 years (2005 5 98 years)

The weighted average fair value of options granted during the year was $11 53 (2005- $11 31) The range of exercise prices for options outstanding at the end of 2006 and 2005 was $54 31 - $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 31 December 2006 and 25 December 2005

	2006	2005
Dividend yield (%)	2 07%	1 30%
Expected share price volatility (%)	19 24%	11 46%
Risk-free interest rate (%)	4 53%	4 32%
Expected life of options (years)	4 5	6
Weighted average share price	$59 96	$60 29

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 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

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

	2006 No.	2006 WAEP	2005 No.	2005 WAEP
Outstanding as at 26 December 2005	125	$80 04	-	
Granted during the year	125	$52 12	125	$80 04
Forfeited during the year	(125)	$80 04	-	
Outstanding at 31 December 2006	125	$52 12	125	$80 04

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

22 SHARE-BASED PAYMENTS (CONTINUED)

Performance Award Shares

Performance Award Shares are discretionary shares awarded to certain individuals out of the 2001 Omibus 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 is 24 February 2009

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

	2006 No.	2006 WAEP
Outstanding as at 26 December 2005	-	
Granted during the year	20,285	$62 71
Outstanding at 31 December 2006	20,285	$62 71

The fair value of the cash-settled options is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted The services received and a liability to pay for those services are recognised over the expected vesting period Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in the income statement

The carrying value of the liability relating to the cash-settled options at 31 December 2006 is £195,000 (£nil) No cash-settled options had vested at 31 December 2006 (2005 – nil)

Restricted stock

Restricted stock are discretionary shares awarded to certain individuals out of the 2001 Omibus 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 is 8 December 2009 for grants in 2005 and 7 December 2010 for grants in 2006

	2006 No.	2006 WAEP	2005 No.	2005 WAEP
Outstanding as at 26 December 2005	2,500	$62 71	-	
Granted during the year	3,000	$59 96	2,500	$62 71
Outstanding at 31 December 2006	5,500	$61 21	2,500	$62 71

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 There is currently only one scheme open at 31 December 2006, which matures at the end of August 2007 At the end of 2006 the number of options over shares was 1,137

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

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2006

22. SHARE-BASED PAYMENTS (CONTINUED)

	2006 No.	2006 WAEP	2005 No.	2005 WAEP
Outstandmg as at 26 December 2005	1,717	$86 85	3,059	$86 85
Forfeited durmg the year	(580)	$86 85	(1,342)	$86 85
Outstandmg at 31 December 2006	1,137	$86 85	1,717	$86 85

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 current ShareSave scheme, which commenced on 15 July 2004

	2006	2005
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

23. 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

24 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