

NEWSQUEST MEDIA GROUP LIMITED

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

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NEWSQUEST MEDIA GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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NEWSQUEST MEDIA GROUP LIMITED

DIRECTORS' REPORT

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

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.

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

	2008 £'000	2007 £'000	Change
Turnover	1,793	1,791	0.11%

During the period the operating companies 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 from these underlying businesses an impairment charge against the cost of those investments of £296,613,000 has been made.

On 18 July 2008 the company increased its shareholding in Fish4 Limited from 33.33% to 50.0%.

During the year the company made a capital contribution of £10,000,000 to Newsquest (Oxfordshire & Wiltshire) Limited. The capital contribution may be returned as a distribution by way of a dividend or on a winding up.

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 loss for the period after taxation was £253,325,000 (2007 - £14,313,000 profit).

Interim dividends of £100,774,072 were paid on ordinary shares (2007 - £94,153,513) and £4,249 on preference shares during the period (2007 - £4,249). No final dividends are proposed (2007 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the period are listed below.

P Davidson
P Hunter
T Blott
R Mills

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.

POLITICAL AND CHARITABLE DONATIONS

Details of political and charitable contributions are contained in the directors' report and financial statements of Gannett U.K. Limited.

DIRECTORS' REPORT

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 2008 the actual 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 MEDIA GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEWSQUEST MEDIA GROUP 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 26. 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.

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 MEDIA GROUP LIMITED

PROFIT AND LOSS ACCOUNT

52 weeks ended 28 December 2008 (note 1)

	Note	2008 £'000	2007 £'000
TURNOVER	1, 2	1,793	1,791
Cost of sales		(1,076)	(1,180)
GROSS PROFIT		717	611
Operating expenses	3	(13,142)	(11,294)
Amounts written off investments	13	(297,834)	(46,604)
Other operating income	5	19,249	18,052
OPERATING LOSS	6	(291,010)	(39,235)
Income from fixed asset investments	7	41,302	57,529
Interest receivable and similar income	8	7,639	10,041
Interest payable and similar charges	9	(12,283)	(12,898)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(254,352)	15,437
Tax credit/(charge) on (loss)/profit on ordinary activities	11	1,027	(1,124)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	20	(253,325)	14,313

All the company's activities were in respect of 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 MEDIA GROUP LIMITED

BALANCE SHEET 28 December 2008 (note 1)

	Note	£'000	2008 £'000	2007 £'000
FIXED ASSETS				
Tangible assets	12		5,081	5,191
Investments	13		215,880	502,493
			<u>220,961</u>	<u>507,684</u>
CURRENT ASSETS				
Stock	14	-	237	
Debtors	15	110,121	155,713	
Cash at bank and in hand		11,128	7,216	
			<u>121,249</u>	<u>163,166</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(284,417)	(259,686)	
NET CURRENT LIABILITIES			<u>(163,168)</u>	<u>(96,520)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			57,793	411,164
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	16		(1,075)	(847)
PROVISIONS FOR LIABILITIES	17		<u>(234)</u>	<u>(310)</u>
NET ASSETS			<u>56,484</u>	<u>410,007</u>
CAPITAL AND RESERVES				
Called up share capital	19		1	1
Share premium account	20		50,418	50,418
Merger reserve	20		1,907	1,907
Profit and loss account	20		4,158	357,681
TOTAL SHAREHOLDERS' FUNDS	20		<u>56,484</u>	<u>410,007</u>

The financial statements on pages 4 to 18 were approved by the Board on 21 September 2009 and were 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 in the United Kingdom.

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 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.

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

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.

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

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.

NOTES TO THE ACCOUNTS

52 weeks ended 28 December 2008

1. ACCOUNTING POLICIES (CONTINUED)

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 22 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.

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 26).

Classification of shares as debt or equity

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities in terms that may be unfavourable.

When shares are issued, any component that creates a financial liability of the company or group is presented as a liability in the balance sheet measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement.

Share-based payments

Equity-settled transactions

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.

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.

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

1. ACCOUNTING POLICIES (CONTINUED)

Equity-settled transactions (continued)

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, 26 December 2005.

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 with reference to the closing price of the shares at the time of grant and taking into account the terms and conditions upon which the instruments were granted. During the vesting period a liability is recognised representing the product of the share price at the time 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.

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.

3. OPERATING EXPENSES

	2008	2007
	£'000	£'000
Selling and distribution costs	2,828	2,940
Administrative expenses	10,314	8,354
	<u>13,142</u>	<u>11,294</u>

4. STAFF COSTS

	2008	2007
	£'000	£'000
Wages and salaries	7,532	6,274
Social security costs	719	601
Other pension costs	709	1,041
	<u>8,960</u>	<u>7,916</u>

Included in wages and salaries is a total expense for share-based payments of £804,000 (2007 - £455,000), of which £576,000 (2007 - £228,000) 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.
Marketing and sales	60	64
Distribution	21	24
Finance and management	50	48
Digital media	30	22
	<u>161</u>	<u>158</u>

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

5. OTHER OPERATING INCOME

	2008	2007
	£'000	£'000
Charges to subsidiaries and sister companies	19,249	18,052

6. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting):	2008	2007
	£'000	£'000
Operating lease rentals:		
- Land and buildings	193	193
Depreciation of tangible fixed assets:		
- owned by the company	630	487
- held under finance leases	18	1
Profit on disposal of fixed assets	(14)	(4)
Management charges	34	25

Audit services for the entire Gannett U.K. Limited group totalling £268,000 (2007 - £260,000) were paid by Newsquest Media Group Limited in the current and prior period. The company has recharged other group companies with their allocation of the audit fees through the management charge.

7. INCOME FROM FIXED ASSET INVESTMENTS

	2008	2007
	£'000	£'000
Dividends from group undertakings	41,302	57,529

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008	2007
	£'000	£'000
Interest receivable	1,312	1,879
Interest receivable from group undertakings	6,327	8,162
	7,639	10,041

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	£'000	£'000
Bank overdraft facilities	2	4
Unwind of discount on provisions (note 17)	14	25
Cumulative redeemable preference shares	4	4
Interest payable to group undertakings	12,263	12,865
	12,283	12,898

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

10. DIRECTORS' EMOLUMENTS

The emoluments of the directors were as follows:

	2008 £'000	2007 £'000
Executive directors' salaries	939	888
Taxable benefits	42	42
Performance related payments	158	292
Pension scheme contributions	91	52
	<u>1,230</u>	<u>1,274</u>

The aggregate emoluments of the highest paid director were £501,234 (2007 - £567,258). The accrued pension for the highest paid director in 2008 was £165,677 per annum (2007 - £150,713 per annum). Payments to a pension scheme of £38,536 (2007 - £21,631) 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 4 directors under a defined benefit scheme during this year and last year.

At 28 December 2008 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 (2007 - 4). None of the directors exercised share options in the company's ultimate parent undertaking Gannett Co. Inc. during the year (2007 - nil).

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

	2008 £'000	2007 £'000
Analysis of credit/(charge) for the period:		
Current tax:		
UK Corporation tax at 28.5% (2007 - 30%)	-	(1,024)
Adjustment in respect of prior periods	<u>1,024</u>	<u>-</u>
Total current tax (see below)	1,024	(1,024)
Deferred taxation:		
Origination and reversal of timing differences	22	(89)
Adjustment in respect of prior periods	(19)	5
Change in the rate of corporation tax	<u>-</u>	<u>(16)</u>
	<u>1,027</u>	<u>(1,124)</u>

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

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

The tax credit/(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 £'000	2007 £'000
Analysis of credit/(charge) for the period:		
(Loss)/profit on ordinary activities before taxation	(254,352)	15,437
(Loss)/profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 28.5% (2007 - 30%)	72,490	(4,631)
Dividends from group undertaking that are not subject to tax	11,771	17,259
Expenses that may not qualify as deductible for tax purposes	(85,008)	(14,161)
Capital allowances for the period in excess of depreciation	(37)	79
Surrender of tax losses	363	308
Transfer pricing adjustment	407	122
Adjustments to tax charge in respect of previous periods	1,024	-
Other timing differences	14	-
	<u>1,024</u>	<u>(1,024)</u>

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.

12. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Construction in Progress £'000	Total £'000
Cost				
At 31 December 2007	3,422	3,531	-	6,953
Additions	-	444	113	557
Disposals	-	(138)	-	(138)
At 28 December 2008	<u>3,422</u>	<u>3,837</u>	<u>113</u>	<u>7,372</u>
Depreciation				
At 31 December 2007	182	1,580	-	1,762
Charge for the period	46	602	-	648
Disposals	-	(119)	-	(119)
At 28 December 2008	<u>228</u>	<u>2,063</u>	<u>-</u>	<u>2,291</u>
Net book value				
At 28 December 2008	<u>3,194</u>	<u>1,774</u>	<u>113</u>	<u>5,081</u>
At 30 December 2007	<u>3,240</u>	<u>1,951</u>	<u>-</u>	<u>5,191</u>

Land and buildings comprises freehold land and buildings with a book value of £3,194,000 (2007 - £3,240,000), within which freehold land amounts to £1,133,000 (2007 - £1,133,000). Also, included within plant and equipment are leased assets with a net book value of £79,000 (2007 - £20,000).

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

13. INVESTMENTS

	Other investments £'000	Investments in subsidiary undertakings £'000	Total £'000
Cost			
At 31 December 2007	14,302	562,060	576,362
Additions	1,221	10,000	11,221
At 28 December 2008	15,523	572,060	587,583
Provisions			
At 31 December 2007	14,302	59,567	73,869
Charge for the period	1,221	296,613	297,834
At 28 December 2008	15,523	356,180	371,703
Net book value			
At 28 December 2008	-	215,880	215,880
At 30 December 2007	-	502,493	502,493

During the year the company made a capital contribution of £10,000,000 to Newsquest (Oxfordshire & Wiltshire) Limited. The capital contribution may be returned as a distribution by way of a dividend or on a winding up.

Included in the charge for the period is an impairment charge of £296,613,000 arising from the company's impairment review following the weak operating performance during the period of the company's subsidiaries. The value in use calculation for each cash generating unit were derived from discounted cash flow projections using a weighted average cost of capital of 10%.

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 28 December 2008 were:

Name of Company	Nature of business
Newsquest (Yorkshire & North East) Limited	Printing and publishing
Newsquest (Essex) Limited	Publishing
Exchange Enterprises Limited	Publishing
Newsquest (North West) Limited	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

Other investments are unquoted. The additions to other investments during the period represent investments in Fish 4 Limited. Other investments include loans to joint ventures.

At the year end, the company had a 50.0% interest in the ordinary £1 shares of Fish 4 Limited whose principal activity during the period was the provision of online classified advertising services.

14. STOCKS

	2008 £'000	2007 £'000
Raw materials	-	237

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

15. DEBTORS

	2008 £'000	2007 £'000
Amounts falling due within one year		
Trade debtors	409	402
Amounts owed by group undertakings	89,109	119,400
Corporation tax	12,071	26,340
Other taxation and social security	3,942	4,565
Other debtors	516	431
Prepayments and accrued income	4,074	4,575
	<u>110,121</u>	<u>155,713</u>

Other debtors includes a deferred tax asset of £150,000 (2007 - £147,000) - see note 18.

16. CREDITORS

	2008 £'000	2007 £'000
Amounts falling due within one year		
Trade creditors	3,072	3,916
Amounts owed to group undertakings	277,464	253,561
Other creditors	1,388	133
Accruals and deferred income	2,493	2,076
	<u>284,417</u>	<u>259,686</u>
Amounts falling due after one year		
Cumulative preference shares	425	425
Cash-settled share-based payment	650	422
	<u>1,075</u>	<u>847</u>

The Cumulative Redeemable Preference shares can be redeemed at the option of the company or the shareholder at any time on giving appropriate notice. A premium of 38.46p per share is payable on the redemption of the 1% First Cumulative Redeemable Preference shares. No premium is payable on the redemption of the 1% Second Cumulative Redeemable Preference shares. The 1% Second Cumulative Redeemable Preference shares cannot be redeemed while any 1% First Cumulative Redeemable Preference shares remain in issue. The Cumulative Redeemable Preference shareholders have no rights at any general meeting other than in special circumstances and on a winding up are entitled to receive their nominal value and premium prior to ordinary shareholders.

17. PROVISIONS FOR LIABILITIES

	Post retirement medical costs £'000	Leasehold property provision £'000	Total £'000
At 31 December 2007	258	52	310
(Release)/charge for the period	(36)	10	(26)
Utilisation	(23)	(41)	(64)
Unwind of discount on provisions	11	3	14
	<u>210</u>	<u>24</u>	<u>234</u>
At 28 December 2008			

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

The post retirement medical provision will be utilised over the period that the benefits will accrue. This is expected to be in excess of five years.

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

18. DEFERRED TAX ASSET

		Deferred tax asset £'000
At 31 December 2007		147
Credit for the period		3
		<hr/>
At 28 December 2008		150
		<hr/> <hr/>
The deferred tax asset is included in other debtors (note 15).		
The deferred tax asset recognised can be analysed as follows:		
	2008 £'000	2007 £'000
Capital allowances in excess of depreciation	131	91
Other timing differences	19	56
	<hr/>	<hr/>
	150	147

Deferred taxation on rolled over capital gains of £385,000 (2007 - £393,000) has not been provided. There is no other unprovided deferred tax.

19. CALLED UP SHARE CAPITAL

	2008		2007	
	Number	£'000	Number	£'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
	<u>426,370</u>	<u>426</u>	<u>426,370</u>	<u>426</u>
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	-
	<u>1,397</u>	<u>1</u>	<u>1,397</u>	<u>1</u>

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.

	2008		2007	
	Number	£'000	Number	£'000
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
	<u>424,900</u>	<u>425</u>	<u>424,900</u>	<u>425</u>

The preference shares are presented as a liability (see note 16) and accordingly are excluded from called-up share capital in the balance sheet.

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

20. RESERVES AND RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2007	1	50,418	1,907	437,294	489,620
Profit for the period	-	-	-	14,313	14,313
Dividends declared and paid	-	-	-	(94,154)	(94,154)
Share-based payment	-	-	-	228	228
At 30 December 2007	1	50,418	1,907	357,681	410,007
Loss for the period	-	-	-	(253,325)	(253,325)
Dividends declared and paid	-	-	-	(100,774)	(100,774)
Share-based payment	-	-	-	576	576
At 28 December 2008	1	50,418	1,907	4,158	56,484

21. COMMITMENTS

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

	Land and buildings	
	2008	2007
	£'000	£'000
Expiry date		
Less than one year	193	-
Between two and five years	-	193

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

22. PENSION SCHEMES

The company is the principal employer of the Newsquest Pension Scheme, which is a funded defined benefit scheme, details of which, including particulars of the latest actuarial valuation, can be found in the financial statements of Gannett U.K. Limited for the period ended 28 December 2008.

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 £623,000 (2007 - £989,000) are to fund the contributions to the scheme by the principal employer of the Newsquest Pension Scheme. The allocation of this cost to this company is based on pensionable salaries.

The company and its immediate parent company have fully adopted FRS17, "Retirement Benefits".

The company has taken advantage of the exemption permitted by paragraph 9 (b) of FRS17 and accounts for the Scheme as if it were a defined contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities of the Scheme.

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 £86,000 (2007 - £52,000).

23. CONTINGENT LIABILITIES

The company has guaranteed to the Newsquest Pension Scheme all present and future obligations and liabilities of each employing company to the Scheme. The guarantee has a maximum amount equal to the lower of (a) the lowest non-negative amount which, when added to the assets of the Scheme, would result in the Scheme being at least 105% funded on the date on which any liability under this commitment arises, calculated on the basis set out in section 179 of the Pensions Act 2004, were a valuation to be conducted as at that date, and (b) £110m.

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

24. 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 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding at 31 December 2007 and 1 January 2007	628,255	\$71.79	615,840	\$74.21
Granted during the year	80,500	\$17.64	58,000	\$54.39
Forfeited during the year	(59,775)	\$69.96	(17,780)	\$66.40
Transferred from/(to) fellow subsidiaries	1,800	\$35.84	(27,805)	\$75.83
Outstanding at 28 December 2008 ¹ and 30 December 2007 ¹	<u>650,780</u>	<u>\$65.16</u>	<u>628,255</u>	<u>\$71.79</u>
Exercisable at 28 December 2008 and 30 December 2007	<u>482,493</u>	<u>\$74.64</u>	<u>490,624</u>	<u>\$75.83</u>

¹ Included within this balance are options over 57,240 (2007: 88,165) 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.

For the share options outstanding at 28 December 2008, the weighted average contractual life is 4.25 years (2007: 4.59 years).

The weighted average fair value of options granted during the year was \$1.49 (2007 - \$9.19). 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 (%)	9.50%	2.69%
Expected share price volatility (%)	27.92%	17.50%
Risk-free interest rate (%)	2.11%	4.23%
Expected life of options (years)	4.5	4.5
Weighted average share price	\$17.64	\$53.83

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.

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

24. SHARE-BASED PAYMENTS (CONTINUED)

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	750	\$49.60	125	\$52.12
Granted during the year	900	\$16.91	625	\$49.09
Outstanding at 28 December 2008 and 30 December 2007	<u>1,650</u>	<u>\$31.77</u>	<u>750</u>	<u>\$49.60</u>

Long-Term Incentive Program

In February 2006, the company adopted a three-year strategic long-term incentive program ("LTIP"). Awards made to eligible participants under the LTIP are comprised of a mix of performance shares and performance units. A performance share is the right to receive a share of Gannett Co., Inc.'s common stock if the applicable performance targets are achieved. A performance unit is the right to receive a specified amount of cash if the applicable performance targets are achieved.

Actual payouts of performance shares and performance units under the LTIP, if any, will be determined by a formula, which measures performance against given targets during the three-year period. If performance is below the applicable threshold level for all of the targets, then no LTIP payment will be made. To the extent that performance exceeds the applicable threshold for any combination of the targets, a varying amount of performance shares and performance units will be earned.

The company recorded an expense of £241,000 (2007 - £241,000) for equity awards and £228,000 (2007 - £227,000) for cash compensation based upon its current expectations of program target achievement.

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	11,100	\$44.85	5,500	\$61.21
Granted during the year	29,660	\$8.53	5,600	\$35.84
Forfeited during the year	(250)	\$35.84	-	-
Transferred from fellow subsidiaries	8,900	\$35.84	-	-
Outstanding at 28 December 2008 and 30 December 2007	<u>49,410</u>	<u>\$22.15</u>	<u>11,100</u>	<u>\$44.85</u>

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.

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2008

24. SHARE-BASED PAYMENTS (CONTINUED)

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

	2008 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding as at 31 December 2007 and 1 January 2007	906	\$86.85	1,137	\$86.85
Forfeited during the year	(906)	\$86.85	(231)	\$86.85
Outstanding at 28 December 2008 and 30 December 2007	-	\$86.85	906	\$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.

25. 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.

26. 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.