Company Registration No. 1676637

NEWSQUEST MEDIA GROUP LIMITED

Annual Report and Financial Statements for the 52 weeks ended 25 December 2016

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

CONTENTS

Country of incorporation:

A company incorporated in Great Britain and registered in England and Wales.

Registered address:

Loudwater Mill, Station Road, High Wycombe, Buckinghamshire, HP10 9TY

STRATEGIC REPORT

The directors present their reports and the audited financial statements for the 52 weeks ended 25 December 2016.

PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS AND FUTURE PROSPECTS

Newsquest Media Group Limited ("the company") 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. The Directors expect the activities to continue for the foreseeable future.

Key performance indicators

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

	2016*	2015*	Change
	£'000	£'000	%
Adjusted EBITDA**	33,055	37,122	(10.9)

* The income statements cover the 52 weeks from 28 December 2015 to 25 December 2016 and the 52 weeks from 29 December 2014 to 27 December 2015.

**Earnings before interest, tax, depreciation, restructuring costs, impairments, share based payment charges and IAS 19 pension charges.

£2m of the £4m drop in adjusted EBITDA is due to the consolidation of back office functions for billing, sales ledger administration, credit control, group IT and group editorial into Newsquest Media Group Ltd resulting in efficiencies and cost savings across the group's trading subsidiaries. The remaining £2m drop in adjusted EBITDA is related to the difference in recharges to subsidiaries and dividends received from group undertakings. Recharges in 2016 were £46.6m compared to £21.3m due to the higher level of pension contributions in 2016, and there were no dividends received from group undertakings in 2016 compared to £27.2m in 2015.

On 26 December 2016 the business assets and liabilities of the subsidiaries; Newsquest (Yorkshire & North East) Limited, Newsquest (North East) Limited, Newsquest (York) Limited, Newsquest (North West) Limited, Newsquest (London & Essex) Limited, Newsquest (Sussex) Limited, Newsquest (Southern) Limited, Newsquest (Berkshire) Limited and Newsquest (Oxfordshire & Wiltshire) Limited were transferred to the company. On the same date the business, assets and liabilities of the Oxfordshire & Wiltshire business were transferred to Newsquest (Midlands South) Limited. Following the transfer of the business assets and liabilities, the reserves of these subsidiaries were distributed to Newsquest Media Group Limited.

PRINCIPAL RISKS AND UNCERTAINTIES

Consistent and sustainable revenue generation

The company along with its trading subsidiaries operate in a competitive and dynamic environment where maintaining and developing the interest of the audience is critical to its commercial success in attracting advertisers and readers. Competing newspapers and alternative media, including the internet, impact the company's ability to grow revenues.

The company manages this competitive risk by continually seeking to ensure its products meet the needs of the communities it serves and investing in internet-based services. This investment in digital media by the group along with its trading subsidiaries is creating promising opportunities for revenue generation.

General economic conditions

The company and its trading subsidiaries are also exposed to the general economic conditions that affect their advertisers and readers, particularly in the property, motors and employment advertising markets. The company's profitability is also affected by workforce costs, the main operating costs of the company, along with newsprint prices. The ability of the company to flex these costs in line with revenues in the short term is limited.

Pension and deficit funding

The company's defined benefit pension scheme is currently in deficit. The company, the principal employer of the scheme, has guaranteed any potential shortfalls as set out in the notes to the financial statements. The deficit is caused by increases in liabilities as a result of low real interest rates that is not matched by plan assets.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Pension and deficit funding (continued)

The Newsquest Pension Scheme (the Scheme) ceased the future accrual of pension benefits with effect from 31 March 2011. The company continues to work with the Trustees of the Scheme to eliminate the deficit over an economically viable period of time.

Business opportunities

The company continues to seek attractive opportunities to invest. During the period one of the company's subsidiaries acquired Forest Machine Journal Limited. The company actively monitors the integration of acquired businesses.

This report was approved by the Board and signed on its behalf on 27 July 2017.

P Hunter
Director

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 52 weeks ended 25 December 2016.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation amounted to £23,514,000 (2015 - £24,349,000 loss).

There were no interim dividends paid in the period (2015 - £34,073,000 on ordinary shares and £4,249 on cumulative redeemable preference shares). The directors do not recommend a final dividend (2015 - £nil).

FUTURE DEVELOPMENTS

The strategic report provides details of a group reorganisation which took place on 26 December 2016 to transfer the the business, assets and liabilities of many of the trading subsidiaries into the company. Following the restructuring the Directors expect the company's activities to continue for the foreseeable future.

DIRECTORS

The directors who served during the period are listed below.

R Dickey
A Engel
B Wall
H Faure Walker
P A Hunter

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company 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. Such qualifying third party indemnity provision remains in place as at the date of approving the directors' report.

EMPLOYEE PARTICIPATION AND THE ENVIRONMENT

The company places value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. Such communications 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. There is a share incentive plan in place which is open to all employees.

The company is conscious of the importance of good environmental practices and aims for an on-going improvement in environmental performance and to comply with all relevant regulations.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company and its trading subsidiaries made no political contributions. During the period charitable contributions of £16,334 (2015 - £7,921) were made by the company and its trading subsidiaries. In addition editorial support was provided to local charitable initiatives.

The Gannett Foundation is the charitable arm of Gannett Co., Inc., the ultimate parent undertaking of Newsquest Media Group Limited. The Gannett Foundation provides funding to support local organisations. During the year the Gannett Foundation made charitable donations of £282,950 (2015 - £229,924) to projects in the United Kingdom.

DISABLED PERSONS

It is the policy of the group 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 Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITIES (CONTINUED)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

GOING CONCERN

The company's business activities, together with the factors likely to affect its future development and position, are set out above in the Strategic Report under the sections principal activities, review of the business and principal risks and uncertainties and in the Directors' Report under future developments.

The company and its trading subsidiaries is expected to continue to generate positive operating cash flows on its own account for the foreseeable future. As a group wholly owned by Gannett Co., Inc. the UK group benefits from long term finance.

The directors have received written confirmation from the directors of fellow subsidiaries that amounts disclosed in these accounts as falling due in more than one year are not repayable for a period at least more than one year from the date of the approval of these financial statements and, if appropriate, assistance will be provided in meeting the company's liabilities as and when they fall due, but only to the extent that money is not otherwise available to the company to meet such liabilities. This support would end in the event of the company ceasing to be controlled by Gannett International Finance LLP or Gannett Co., Inc.

On the basis of their assessment of the company's financial position and the confirmations received from its immediate parent, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the Board at the time of approving the Strategic Report and Directors' Report are listed on page 3. 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITORS

Ernst & Young LLP are deemed to be reappointed in accordance with an elective resolution made under Section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

This report was approved by the Board and signed on its behalf on 27 July 2017.

Paul Hunt

P Hunter
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWSQUEST MEDIA GROUP LIMITED

We have audited the financial statements of Newsquest Media Group Limited for the year ended 25 December 2016 which comprise the Income Statement, the Other Comprehensive Statement, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3 to 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 25 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Naresh Alimchandani (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 July 2017

INCOME STATEMENT
For the 52 weeks ended 25 December 2016

	Note	2016 £'000	Restated* 2015 £'000
TURNOVER		46,630	21,370
Cost of sales		(581)	(408)
GROSS PROFIT		46,049	20,962
Selling and distribution costs		(2,124)	(2,145)
Administrative expenses		(12,116)	(10,057)
Exceptional restructuring costs	2	(520)	(345)
Writedown of investment in subsidiaries		-	(55,668)
OPERATING PROFIT/(LOSS)	2	31,289	(47,253)
Other finance costs	18	(5,460)	(5,860)
Dividends received from group undertakings		-	27,200
Interest receivable and similar income	5	3,045	6,230
Interest payable and similar expenses	6	(287)	(226)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		28,587	(19,909)
Income tax charge	7	(5,073)	(4,440)
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	16	23,514	(24,349)
OTHER COMPREHENSIVE LOSS:			
Items that will not be reclassified to profit or loss			
Actuarial (loss)/gain due to pension liability assumption changes		(135,903)	5,506
Return on pension plan assets (less)/greater than discount rate		62,981	(1,822)
Deferred tax on items relating to components of other comprehensive income		12,162	(700)
	16	(60,760)	2,984
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(37,246)	(21,365)

*In 2016, Newsquest Media Group's group management recharges have been classified as part of revenue, however in 2015's statutory accounts, these recharges of £20,277,000 were accounted for as part of other operating income. Therefore, the 2015 revenue and other operating income figures have been restated to reflect this change.

STATEMENT OF CHANGES IN EQUITY
For the 52 weeks ended 25 December 2016

	Share capital £'000	Retained earnings £'000	Total £'000
As at 28 December 2014	426	311,822	312,248
Loss for the period	-	(24,349)	(24,349)
Other comprehensive income	-	2,984	2,984
Share-based payment transactions (note 3)	-	557	557
Capital contribution	-	5,000	5,000
Dividends (note 8)	-	(34,073)	(34,073)
Payment to ultimate parent in respect of shares exercised (note 3)	-	(2,602)	(2,602)
At 27 December 2015	426	259,339	259,765
Profit for the period	-	23,514	23,514
Other comprehensive loss	-	(60,760)	(60,760)
Share-based payment transactions (note 3)	-	600	600
Payment to ultimate parent in respect of shares exercised (note 3)	-	(546)	(546)
At 25 December 2016	426	222,147	222,573

BALANCE SHEET
25 December 2016

	Note	£'000	2016 £'000	£'000	2015 £'000
FIXED ASSETS					
Tangible fixed assets	9		1,597		1,662
Investments	10		367,113		347,113
			368,710		348,775
CURRENT ASSETS					
Debtors: amounts falling due within one year	11	64,650		39,432	
Debtors: amounts falling due after one year	11	76,770		91,935	
Deferred tax assets	13	39,209		30,869	
Cash at bank and in hand		5,492		2,809	
		186,121		165,045	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	12	(75,653)		(19,506)	
NET CURRENT ASSETS			110,468		145,539
TOTAL ASSETS LESS CURRENT LIABILITIES			479,178		494,314
NON-CURRENT LIABILITIES					
Amounts owed to group undertakings		(56,603)		(77,707)	
Pension deficit	18	(198,531)		(156,749)	
			(255,134)		(234,456)
PROVISIONS FOR LIABILITIES	14		(1,471)		(93)
NET ASSETS			222,573		259,765
CAPITAL AND RESERVES					
Called up share capital	15		426		426
Retained earnings	16		222,147		259,339
TOTAL EQUITY	16		222,573		259,765

The notes on pages 9 to 27 form part of the financial statements.

The financial statements on pages 6 to 27 were approved by the Board of Directors and were signed on its behalf on 27 July 2017 by:

P Hunter
Director

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

Basis of preparation of financial statements

The company meets the definition of a qualifying entity for the purpose of FRS 101 (Financial Reporting Standard 101) accordingly, in the 52 weeks ended 27 December 2015 the company has undergone transition from reporting under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) to FRS 101 as issued by the Financial Reporting Council and the Companies Act 2006.

The company meets the definition of a qualifying entity for the purpose of FRS 101 (Financial Reporting Standard 101). The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework'. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to: the requirements of paragraphs 10 (d), 39 (c) and 134-136 of IAS 1 *Presentation of Financial Statements*, the requirements of paragraphs 30 and 31 of IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*; the requirements of IFRS 7 *Financial Instruments*, the requirements of paragraphs 134 (d) – 134 (f) and 135 (c) – 135 (e) of IAS 36 *Impairment of Assets*, the requirements in IAS 24 *Related Party Disclosures* and the requirements of IAS 8.30 and 31 on new and not yet effective standards.

The company is exempt from preparing group financial statements under Section 401 of the Companies Act 2006 as it is a wholly owned subsidiary undertaking. Accordingly, these financial statements present information about the company and not its Group. Gannett Co. Inc., the ultimate parent company publishes consolidated financial statements which includes the cash flows of the company. The company has therefore taken advantage of the exemption granted by Financial Reporting Standard 101 – 'Reduced Disclosure Framework', to not present a cash flow statement.

The principal accounting policies adopted are set out under the notes below.

Accounting period

The income statements cover the 52 weeks from 28 December 2015 to 25 December 2016 and 52 weeks from 29 December 2014 to 27 December 2015. The balance sheets for 2016 and 2015 have been drawn up at 25 December 2016 and 27 December 2015 respectively.

Critical judgements in applying the Company's accounting policies

In determining and applying accounting policies, judgement is often required where the choice of specific policy, assumption or accounting estimate to be followed could materially affect the reported results or net position of the group, should it later be determined that a different choice be more appropriate. Management considers the following to be areas of significant judgement and estimation for the group due to greater complexity and/or particularly subject to the exercise of judgement.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

There are no significant judgements or critical accounting estimates impacting these financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue is derived from recharges to group companies, advertising, printing and publishing local news and information, and arises mainly in the United Kingdom.

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

Judgements and key sources of estimation uncertainty (continued)

Dividend income/Income from fixed asset investments

Dividend income and income from fixed asset investments comprising dividends from group undertakings is recognised when the company's right to receive payment is established.

Interest income

Interest income is recognised as the interest accrues using the effective interest method.

Operating (loss)/profit

Operating (loss)/profit is stated after charging restructuring or other exceptional costs but before investment income, other finance income and finance costs.

Exceptional items

The company presents as exceptional items those material items of income and expense which, because of the nature and expected frequency of the events giving rise to them, merit separate presentation to explain the elements of financial performance in the year and to facilitate comparison with prior periods.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. Further details are contained in note 7.

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 value of investments is reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets and depreciation

Property, plant and equipment are stated at cost, net of accumulated depreciation and any accumulated impairment losses. The company has elected, where appropriate, to use book values at the date of transition as the "deemed" cost of plant, property and equipment. Consequently any historic asset revaluations will not be updated. In all other cases cost comprises the aggregate amount paid and the fair value of any other consideration given and includes costs directly attributable to making the asset capable of operating as intended. No depreciation is provided on assets in the course of construction.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Computer equipment	3 years
Other plant and machinery	3 - 15 years
Motor vehicles	4 years

Short leases are written off over the duration of the lease. Land is not depreciated.

The carrying values of tangible fixed assets are reviewed for impairment, if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

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 capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

Assets classified as held for resale

Where a property is available for immediate sale in its present condition, a sale is highly probable and expected to be completed within one year, the company classifies that asset as held for sale. The value of the asset is held at the lower of the carrying amount or the expected realisable sale value. The asset is no longer depreciated.

The Directors estimate the sale value based on the current price that the asset is being marketed at and advice from independent property agents. Actual sale proceeds may differ from the estimate.

Trade and other debtors

Trade debtors do not attract any interest. They are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amounts. An allowance for impairment is made where based on previous experience of recoverability. Other debtors are provided for where there is evidence that an amount is no longer recoverable.

Trade creditors

Trade creditors are not interest-bearing and are stated at their nominal value.

Provisions for onerous leases and dilapidations

Where the company ceases to occupy a rented property for its trade, an estimate of the anticipated total future cost payable under the terms of the operating lease, including rent, rates and other related expenses, is charged to the income statement at the point where the unavoidable costs of meeting the obligations under the lease exceed the economic benefits expected to be received under it. Where there is a break clause in the lease, rent, rates and other related expenses are provided for up to that point. In addition, an estimate is made of the likelihood of sub-letting the premises and any rent that would be receivable from a sub-tenant. Where receipt of sub-lease rent is considered likely, these amounts are deducted from the rent payable by the group under the lease and provision charged for the net amount.

Under the terms of a number of property leases, the company is required to return the property to its original condition at the lease expiry date. The company has estimated the expected costs of these dilapidations and charged these costs to the Income Statement.

Operating leases

Operating lease rentals are charged to the income statement on a straight line basis over the periods of the leases. Where lease incentives are provided with the operating lease contract, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the term of the lease.

Where the company is a lessor, rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Pensions

The company participates in both a defined benefit pension scheme and a defined contribution pension scheme.

The Newsquest Pension Scheme (the Scheme) is a final salary defined pension scheme. The scheme is closed to new entrants and to future accrual with effect from 31 March 2011. The scheme operates under trust law and is managed and admistered by the trustee on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Scheme, a funded defined benefit pension scheme, continues to operate to pay retired employees their pensions. The trustee of the Newsquest Pension Scheme is responsible for the investment of the Scheme's assets, which are held separately from the group. The principal employer of the Scheme is Newsquest Media Group Limited (the company).

During the year, the company made contributions of £36,600,000 (2015 - £7,600,000) based on a new schedule of contributions agreed between the company and the Trustees for the period from 30 June 2016 to 31 May 2022.

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

1. **ACCOUNTING POLICIES (CONTINUED)**

Significant accounting policies (continued)

Pensions (continued)

In respect of the defined contribution pension schemes, contributions are charged to the income statement 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.

Pension Scheme costs reported in the income statement and in other comprehensive income are assessed in accordance with the advice of qualified independent actuaries.

Share-based payments

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

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 retained earnings.

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.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at the date or, where appropriate, at the rate of exchange specified in a matching forward contract or currency swap. Any translation differences arising are dealt with in the income statement.

2. **OPERATING PROFIT/(LOSS) AND ADJUSTED EBITDA**

	2016 £'000	2015 £'000
(a) Operating (loss)/profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets:		
- owned	612	570
- held under finance leases	34	35
Profit on disposal of tangible fixed assets	(2)	(40)
Operating lease rentals:		
- land and buildings	87	87
- plant and equipment	4,042	3,684
Exceptional restructuring costs	520	345

The company paid £392,000 (2015 - £328,270) to its auditors in respect of the audit of the financial statements and for services provided to the company. Additional audit fees also borne by the company relating to 2015, including one-off new UK GAAP conversion work, amounted to £155,000. The auditors did not perform any "non-audit" services during the year.

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

2. OPERATING PROFIT/(LOSS) AND ADJUSTED EBITDA (CONTINUED)

Exceptional restructuring costs primarily relate to redundancy.

(b) Adjusted EBITDA has been calculated as follows:

	2016 £'000	2015 £'000
Operating (loss)/profit	31,289	(47,253)
Write down of investments in subsidiaries	-	55,668
Exceptional restructuring costs	520	345
Depreciation	646	605
Share based payments	600	557
IAS 19 Defined benefit pension charge	-	-
Dividends received from group undertakings	-	27,200
	33,055	37,122

3. STAFF COSTS

	2016 £'000	2015 £'000
Wages and salaries[1]	15,543	11,909
Social security costs	1,436	1,432
Other pension costs[2]	726	643
	17,705	13,984

[1] Included in wages and salaries is a total expense for share-based payments of £600,000 (2015 - £557,000). Recharges for the intrinsic value of options exercised in 2016 of £546,000 (2015 - £2,602,000) have been taken directly to reserves.

[2] Included in other pension costs in 2016 are £nil (2015 - £nil) in respect of defined benefit schemes and £726,000 (2015: £643,000) in respect of the defined contribution scheme.

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

	2016 Number	2015 Number
Pre-press and printing	20	23
Editorial	157	149
Marketing and sales	137	132
Distribution	11	7
Finance and management	132	45
Digital media	39	37
	496	393

During the year the employees in the group accounting services centre were transferred to Newsquest Media Group Limited.

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

4. DIRECTORS' EMOLUMENTS

	2016 £'000	2015 £'000
Executive Directors' salaries	545	570
Taxable benefits and car allowance	26	38
Performance related payments	230	325
Pension related	30	32
	831	965

The aggregate emoluments of the highest paid director were £479,746 (2015 - £591,804). During the year the highest paid director did not exercise share options under a long-term incentive scheme. In 2016 pension related payments of £16,925 were made by the company on behalf of the highest paid director (2015 - £18,252).

One director was a member of the Newsquest Pension Scheme (a defined benefit scheme closed to future accrual) during this year (2015 – one) and two directors benefitted from contributions to the Newsquest stakeholder pension plan (a defined contribution scheme).

At 25 December 2016 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 five (2015 – five). None of the directors exercised share options in the company's ultimate parent undertaking Gannett Co. Inc. during the year (2015 – one).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Bank interest	93	52
Interest receivable from group undertakings	2,952	6,178
	3,045	6,230

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016 £'000	2015 £'000
Newspaper society provision (note 14)	37	-
Bank overdraft interest	-	1
Unwind of discount on provisions (note 14)	2	7
Cumulative redeemable preference shares	-	4
Interest payable to group undertakings	248	214
	287	226

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

7. TAXATION

(a) Tax charged in the income statement	2016 £'000	2015 £'000
Current income tax charge:		
UK corporation tax at 20.00% (2015 – 20.25%)	(1,363)	-
Adjustments in respect of prior periods	112	-
	(1,251)	-
Deferred tax charge:		
Origination and reversal of temporary differences	(3,255)	(2,003)
Adjustments in respect of prior periods	(1)	35
Effect of change in tax rates	(566)	(2,472)
	(3,822)	(4,440)
Total income tax charge reported in the income statement all relating to continuing operations	(5,073)	(4,440)

(b) Tax relating to items credited/(charged) to other comprehensive income	2016 £'000	2015 £'000
Deferred tax:		
Actuarial gains due to pension liability assumption changes	23,103	(1,046)
Return on pension plan assets greater)/less than discount rate	(10,707)	346
Movement in deferred tax rate	(234)	-
Total deferred tax	12,162	(700)
Total income tax credit/(charge) reported in the other comprehensive income statement all relating to continuing operations	12,162	(700)

(c) Reconciliation of the total tax charge:	2016 £'000	2015 £'000
Profit/(loss) from continuing activities before taxation	28,587	(19,909)
Tax on the profits/(losses) on ordinary activities at the standard UK rate of corporation tax of 20.00% (2015 - 20.25%)	(5,717)	4,031
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Current tax over provided in prior years	112	-
Deferred tax (under)/over provided in prior years	(1)	35
Effect of change in tax rates	(566)	(2,472)
Tax effect of items that are not deductible or not taxable in determining taxable profit	-	(5,416)
Other non-deductible expenses	(13)	-
UK to UK transfer pricing adjustments	(537)	(68)
Difference between current and deferred tax rates in current year	(539)	26
Group relief claimed for nil payment	2,173	60
Deferred tax movement on share based payments	15	(626)
Capital losses claimed for nil payment	-	(10)
Transfer from recognised to unrecognised deferred tax	-	-
Total income tax charge reported in the income statement	(5,073)	(4,440)

Tax losses arising within the Gannett U.K. Limited group of companies are relieved amongst group companies. The principal factor that may affect tax charges in future periods is the basis on which tax losses are allocated within the group and the rate (if any) at which the company pays for those losses.

The 20.25% basic tax rate applied for the 2015 period was a blended rate due to the tax rate of 21.0% in effect for the first quarter of 2015, changing to 20.0% from 1 April 2015 under the 2013 Finance Act.

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

7. TAXATION (CONTINUED)

(d) Deferred tax in the income statement

The deferred tax included in the company income statement is as follows:

	2016 £'000	2015 £'000
Accelerated depreciation for tax purposes	(26)	(60)
Other timing differences	3,007	(987)
Share based payments	14	(626)
Pensions	(6,250)	(330)
Impact of change in tax laws and rates	(566)	(2,472)
Deferred tax (under)/over provided in prior years	(1)	35
	(3,822)	(4,440)

(e) Change in corporation tax rate

A corporation tax rate of 19% applies for the period 1 April 2017 to 31 March 2020. A rate of 17% then applies for the years beginning 1 April 2020 and onwards. For the purpose of these accounts deferred tax has been provided at the rate of corporation tax applying when the deferred tax is expected to reverse.

8. DIVIDENDS

	2016 £'000	2015 £'000
Dividends made during the year:		
Interim dividends (2015: £26,829.28 per share)	-	34,073

The dividends paid on the preference shares of £nil (2015 - £4,249) are included within interest payable and similar charges (note 6).

9. TANGIBLE FIXED ASSETS

	Plant and equipment £'000	Construction in progress £'000	Total £'000
Cost			
At 28 December 2015	5,646	-	5,646
Additions	449	93	542
Disposals	(286)	-	(286)
Transfers from group companies	182	-	182
At 25 December 2016	5,991	93	6,084
Depreciation			
At 28 December 2015	3,984	-	3,984
Charge for period	646	-	646
Disposals	(286)	-	(286)
Transfers from group companies	143	-	143
At 25 December 2016	4,487	-	4,487
Carrying amount			
At 25 December 2016	1,504	93	1,597
At 27 December 2015	1,662	-	1,662

Included within plant and equipment are leased assets with a carrying amount of £41,000 (2015 – £71,000).

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

10. INVESTMENTS

	Investments in subsidiary undertakings £'000
Cost	
At 28 December 2015	767,153
Additions	20,000
At 25 December 2016	787,153
Provisions	
At 25 December 2016 and 27 December 2015	420,040
Carrying amount	
At 25 December 2016	367,113
At 27 December 2015	347,113

On 7 December 2016, the company's investment in Newsquest (North West) Limited and Newsquest (London & Essex) Limited was increased by the allotment and issue of 1 fully paid ordinary share of £1 nominal value at a premium of £9,999,999 for each entity.

During the prior period the investments in subsidiary undertakings were impaired by £55,668,000 to the Directors' estimate of their recoverable amount.

The wholly owned trading subsidiary companies of Newsquest Media Group Limited (all of which are incorporated in Great Britain and registered in England and Wales except for those marked with an asterix which are registered in Scotland) at 25 December 2016 are as follows:

Name of company	Nature of business
Newsquest (Yorkshire & North East) Limited	Publishing
Newsquest (Essex) Limited[1] (dormant from August 2015)	Publishing
Newsquest Specialist Media Limited[1]	Publishing
Newsquest (Herald & Times) Limited[1*]	Printing and publishing
Newsquest (North West) Limited	Publishing
Newsquest (London & Essex) Limited	Publishing
Newsquest (Midlands South) Limited	Printing and publishing
Newsquest (North East) Limited	Publishing
Newsquest (Oxfordshire & Wiltshire) Limited	Printing and publishing
Newsquest (Sussex) Limited	Publishing
Newsquest (York) Limited	Publishing
Newsquest Media (Southern) Limited	Printing and publishing
Sopress Investments Limited[1]	Investment holding company
Newsquest (Clyde & Forth Press) Limited[1*]	Publishing
Newsquest (Berkshire) Limited[1*]	Publishing
Your Radio FM Limited[1*] (dormant from October 2015)	Dormant holding company
Romanes Media Limited[1*]	Holding company
Romanes Media Group Limited*	Holding company
Romanes Media Group EBT Limited[1*]	Trustee of employee benefit trust

[1] Owned indirectly by the company.

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

10. INVESTMENTS (CONTINUED)

The dormant subsidiary companies of Newsquest Media Group Limited (all of which are wholly owned and incorporated in Great Britain and registered in England and Wales except those marked with an asterix which are registered in Scotland) at 25 December 2016 are as follows:

Name of Company	Name of Company
Advertiser Series Limited[2]	Bury Times Limited
Advertising Distribution Services Limited[2]	C.H. Peacock Limited
Asherclose Limited[2]	Campaign Free Newspapers Limited[2]
Bailey Newspaper Group Limited[2]	Cleadon Press Limited
Bailey Print Limited[2]	Csonco Limited
Bailey Web Limited[2]	Daily News Group Limited
Barry Printing and Publishing Co. Limited[2]	Devobrook Limited[1,2]
Beck & Partridge Limited	Essex County Newspapers Limited[1]
Berrows West Midlands Limited[1]	Evesham Admag Limited[1]
Billington & Wright Limited[1]	Exchange Enterprises Limited
Bird Brothers Limited[2]	Extonbase Limited[2]
Brighton & District Property News Limited	Fossilcove Limited[2]
Bromsgrove Observer Limited[1]	Gloucestershire Independent Limited[2]
H. Dawson & Co. (Printers) Limited	Newsquest Printing (Glasgow) Limited*
Hampshire Newspapers Limited[2]	Newsquest Printing (Lancashire) Limited
Helston Printers Limited[2]	North of England Newspaper Company Limited
Henry Pease & Company Limited	Northern Counties Newspapers (Tyneside) Limited[1]
Independent Media Limited[2,3]	Nursing Spectrum UK Limited
J.H.Lake & Co.Limited[2]	Orpheus Publications Limited[1*]
Jaxman Limited	Packet Newspapers (Cornwall) Limited[2]
John. H. Burrows & Sons Limited	Partridge Printers Limited
Kinsman Reeds Limited	Property Weekly Limited[2]
Lettercatch Limited	Pythondeck Limited[2]
London & Kent Newspapers Limited[1]	Rawlings & Walsh Limited
Mega Suburban Printing Limited[1]	Redditch Observer Limited[1]
Morgan Truman Publications Limited[1]	Regional Letterbox Services Limited[1]
Msomn Limited	Richmond & Twickenham Times Limited[1]
New Forest Post Limited[2]	Rusholmes Printers Limited
News Shopper Limited[1]	Salisbury Journal Nespapers Limited[2]
Newsquest (Basildon) Limited[1]	Sawp Limited
Newsquest (Blackburn) Limited[1]	Sellix Limited
Newsquest (Bolton) Limited[1]	Slough Newspaper Printers Limited
Newsquest (Buckinghamshire & West London) Limited	South London Guardian Limited[1]
Newsquest (Cheshire) Limited[1]	South Wales Argus Limited[2]
Newsquest (Cheshire/Merseyside) Limited[1]	South West Counties Newspapers Limited[2]
Newsquest (East London & West Essex) Limited[1]	South West Wales Newspapers Limited[2]
Newsquest (Hereford) Limited[1]	Southern Newspapers Limited[2]
Newsquest (Herefordshire & Middlesex) Limited[1]	South Wales Argus Limited[2]
Newsquest (Herts & Bucks) Limited[2]	South West Counties Newspapers Limited[2]
Newsquest (Kendal)[1]	South West Wales Newspapers Limited[2]
Newsquest (Investments) Limited	Southern Newspapers Limited[2]
Newsquest (Lancs Free) Limited[1]	Spiceford Limited[2]
Newsquest (Leeds) Limited	Stelert Limited
Newsquest (Merseyside) Limited[1]	Stone Square Newsagency Limited
Newsquest (North West London) Limited[1]	Stour Valley News Limited
Newsquest (Stourbridge) Limited[1]	Surfield Limited[3]
Newsquest (Wiltshire) Limited[1]	Swallowdove Limited
Newsquest (Worcester) Limited[1]	T.A.S. Publishing Limited[1*]
Newsquest Direct Limited[1]	Teddington & Hampton Times Limited
Newsquest Financial Media Limited[1,2]	The Avon Advertiser Limited[2]

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

10. INVESTMENTS (CONTINUED)

Newsquest Media (North East) Limited[1]
Newsquest Financial Media Limited[1,2]
Newsquest Media (Berrows) Limited[1]
Newsquest Media (Midland) Limited
Newsquest Media (North East) Limited[1]
Newsquest Media (Northern) Limited[1]
Newsquest Media (South) Limited[1]
Newsquest Printing (Colchester) Limited
Warden & Company Limited
West Country Magazines Limited[2]
West of England Newspapers Limited[2]
Westminster Press Limited
Westmorland Gazette Limited
Wiltshire Newspapers Limited
WM Dresser & Sons Limited
WP Publishing[2]

The Bedfordshire Times Publishing Company Limited
The Bradford & District Newspaper Company Limited
The Craven Herald Limited
The Croydon Property News Limited[1]
The Ludlow Advertiser Limited[1]
The National Press Agency Limited
The Oxford Mail & Times Limited
The Redditch & Bromsgrove Observer Limited[1]
The Tenbury Advertiser Company Limited[1]
The Yorkshire Herald Newspaper Company Limited
Two's Company (Dating) Limited[2]
Wroughton Press Limited
Wxan Limited
Yeoman Developments (Winton) Limited[2]
Newsquest Printing (Glasgow) Limited[*]
Newsquest Magazines Limited[1*]
Newsquest (Sunday Herald) Limited[2*]
S1Now Limited[2*]

[1] Struck off in 2016

[2] Indirect subsidiary

[3] Struck off in 2017

Joint ventures:	**Class of shares held**	**Proportion**	**Nature of Business**	**Year end**
Classified Periodicals Limited^	Ordinary	50%	Non-trading	27 December
This is Essex Limited	Ordinary	50%	Non-trading	30 September

^Struck off in 2016.

Associate:	**Class of shares held**	**Proportion**	**Nature of Business**	**Year end**
Holdthefrontpage.co.uk Limited	Ordinary	25%	Media website	31 December

11. DEBTORS

	2016	**2015**
	£'000	**£'000**
Trade debtors	26,941	33,502
Amounts due from group undertakings	109,287	-
Other debtors	580	563
Prepayments and accrued income	3,058	3,529
Corporation tax	1,554	1,838
	141,420	39,432

	2016	**2015**
Amounts falling due after one year:	**£'000**	**£'000**
Amounts owed by group undertakings	76,770	91,935

The movement in trade debtors and other taxation and social security in note 13 below reflects the transfer of the centralised sales ledger along with the credit control, and sales ledger administration personnel to Newsquest Media Group Limited.

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Trade creditors	2,745	980
Amounts due from group undertakings	63,545	6,065
Other taxation and social security	4,457	6,351
Other creditors	640	786
Accruals and deferred income	4,266	5,324
	75,653	19,506

13. DEFERRED TAXATION

Reconciliation of net deferred tax assets	**2016 £'000**	**2015 £'000**
As at 28 December 2015	30,869	36,009
Tax charge during the period recognised in the income statement	(3,822)	(4,440)
Income/(charge) recognised in other comprehensive income statement	12,162	(700)
As at 25 December 2016	39,209	30,869

The deferred tax included in the company balance sheet is as follows:

	2016 £'000	**2015 £'000**
Deferred tax asset		
Accelerated depreciation for tax purposes	510	621
Other timing differences	4,228	1,103
Share based payments	142	163
Pension	34,329	28,982
Net deferred tax assets	39,209	30,869

Unrecognised deferred tax asset estimated on future capital losses on assets in use

The company has potential UK capital tax losses on assets in use. Should these losses crystallise they will be available indefinitely for offset against future capital gains. Deferred tax assets of £2,251,899 (2015 - £2,602,245) have not been recognised in respect of these capital losses as there is uncertainty over their recoverability.

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

14. PROVISIONS FOR LIABILITIES

	Newspaper society pension provision £'000	Post retirement medical costs £'000	Leasehold property provision £'000	Total £'000
Analyses as:				
- Current	-	10	39	49
- Non-current	-	44	-	44
At 27 December 2015	-	54	39	93
Utilised	(84)	(8)	-	(92)
ase)/charge in the period	64	5	1	70
Unwind of discount on provisions (note 6)	37	2	-	39
Re-classification from accruals	1,361	-	-	1,361
At 25 December 2016	1,378	53	40	1,471
Analyses as:				
- Current	84	6	40	130
- Non-current	1,294	47	-	1,341
At 25 December 2016	1,378	53	40	1,471

The leasehold property provision is expected to be utilised over the term of the leases to which it relates.

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

The company has entered into a covenant to pay £82,090.40 per annum until the earlier of either 31 December 2038 or the net assets of the Newspaper Society's pension scheme have been certified to be equal to or greater than the estimated debt that would be payable if the scheme were wound up at the effective date of the scheme's most recent funding statement. The provision is the net present value of the annual commitment of £82,090.40 until 2038 discounted at 2.7% (2016 – 3.7%).

15. CALLED UP SHARE CAPITAL

	2016 Number	2016 £'000	2015 Number	2015 £'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

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.

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

15. CALLED UP SHARE CAPITAL (CONTINUED)

	2016 Number	2016 £'000	2015 Number	2015 £'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
	424,900	425	424,900	425

16. RESERVES

	Share capital £'000	Retained earnings £'000	Total £'000
As at 28 December 2014	426	311,822	312,248
Loss for the period	-	(24,349)	(24,349)
Other comprehensive income	-	2,984	2,984
Share-based payment transactions (note 3)	-	557	557
Capital contribution	-	5,000	5,000
Dividends (note 8)	-	(34,073)	(34,073)
Payment to ultimate parent in respect of shares exercised (note 3)	-	(2,602)	(2,602)
At 27 December 2015	426	259,339	259,765
Profit for the period	-	23,514	23,514
Other comprehensive loss	-	(60,760)	(60,760)
Share-based payment transactions (note 3)	-	600	600
Payment to ultimate parent in respect of shares exercised (note 3)	-	(546)	(546)
At 25 December 2016	426	222,147	222,573

In May 2015 the company received a capital contribution of £5,000,000 to provide funds for the purchase of Romanes Media Group Limited and its subsidiary companies.

17. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

Future minimum amounts payable under non-cancellable operating leases are as follows:

	Land and buildings 2016 £'000	Land and buildings 2015 £'000	Other 2016 £'000	Other 2015 £'000
Within one year	107	87	2,900	1,890
Between two and five years	809	-	7,662	4,111
More than five years	-	-	375	450
	916	87	10,937	6,451

Other mostly comprises non-cancellable operating leases for IT software and mobile phones.

At 25 December 2016 the company had no capital commitments (2015 - £nil).

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

18. PENSIONS

The Newsquest Workplace Pension

The Newsquest Workplace Pension is a defined contribution pension plan. Automatic enrolment into this scheme applies to those workers who meet the relevant criteria.

The Newsquest Pension Scheme

Following consultation, the Newsquest Pension Scheme (the Scheme) ceased the future accrual of pension benefits with effect from 31 March 2011. The scheme operates under trust law and is managed and admistered by the trustee on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Scheme, a funded defined benefit pension scheme, continues to operate to pay retired employees their pensions. The trustees of the Newsquest Pension Scheme are responsible for the investment of the Scheme's assets, which are held separately from the group. The principal employer of the Scheme is Newsquest Media Group Limited (the company).

During the year the company made contributions of £36,600,000 (2015 - £7,600,000) based on a new schedule of contributions agreed between the company and the Trustees for the period 30 June 2016 to 31 May 2022. This schedule of contributions was agreed following the results of the triennial valuation as at 31 March 2015. The company made a one-off contribution of £25 million in September 2016 and will make fixed annual contributions of £15m a year from 1 January 2017 to 31 May 2022. In addition, the company will continue to bear the administrative expenses of the Scheme. Excluding administration expenses, company contributions for the period to 25 December 2016 in total were, therefore, £36.6m. The recovery plan is designed to eliminate the pension deficit on its technical provision by 31 May 2022.

This maturity profile of the pension deficit is subject to the assumptions for Scheme asset returns over the period to 2022 and discount rates. Actual Scheme asset returns and changes in discount rates over this period will have an influence on any future changes to company contributions to the Scheme.

In conjunction with the Trustee, the company has recently conducted an asset-liability review for its main scheme. These studies are used to assist the Trustee and the company to determine the optimal long-term asset allocation with regard to the structure of liabilities within the scheme, the results of the study are used to assist the Trustee in managing the volatility in the underlying investment performance and risk of a significant increase in any scheme deficit by providing information used to determine the pension scheme investment strategy.

The Scheme holds a globally diversified portfolio of investments to maintain a wide range of diversification and to reduce volatility. At the end of 2016, the scheme held 33.3% in passive equities within 4 different indexes, 12.4% in hedge funds, 19.4% in property with 12.3% held in UK and 0.7% in European property, 6.4% in infrastructure, 19.3% in UK indexed linked bonds and 9.4% in cash.

The assets and liabilities of the schemes at 25 December 2016 and 27 December 2015 are:

Schemes assets at fair value

	2016 £ 000	2015 £'000
Equity securities	186,387	200,735
Debt securities	143,773	64,553
Real estate/property	108,698	86,196
Hedge funds	69,530	108,661
Cash and other	51,592	2,413
Total fair value of scheme assets	**559,980**	**462,558**
Present value of scheme liabilities	(758,511)	(619,307)
Defined benefit pension plan deficit	**(198,531)**	**(156,749)**

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

18. PENSIONS (CONTINUED)

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the 52 weeks ended 25 December 2016 are analysed as follows:

Recognised in the Income Statement

	2016 £ 000	2015 £'000
Current service cost	-	-
Net finance cost	5,460	5,860
	5,460	5,860

Taken to the Statement of Comprehensive Income

	2016 £ 000	2015 £'000
Actuarial loss/(gain) arising from changes in financial assumptions	135,903	(5,506)
Return on plan assets (excluding amounts included in net interest expense)	(62,981)	1,822
Recognised in Statement of Comprehensive Income	72,922	(3,684)

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2016 £ 000	2015 £'000
Defined benefit obligation at 28 December 2015 and 29 December 2014	619,307	623,586
Current service cost	-	-
Interest on benefit obligation	23,156	22,755
Actuarial loss/(gain)	135,903	(5,506)
Benefits paid	(19,855)	(21,528)
Defined benefit obligation at 25 December 2016 and 27 December 2015	**758,511**	**619,307**

Changes in fair value of plan assets are analysed as follows:

	2016 £ 000	2015 £'000
Fair value of plan assets at 28 December 2015 and 29 December 2014	462,558	461,413
Interest income on plan assets	17,696	16,895
Return on plan assets greater/(less) than discount rate	62,981	(1,822)
Employer contributions	36,600	7,600
Benefits paid	(19,855)	(21,528)
Fair value of plan assets at 25 December 2016 and 27 December 2015	**559,980**	**462,558**

Analysis of financial assumptions:

The principal assumptions used in determining pension benefit obligations for the scheme are shown below:

	2016 %	2015 %
Discount rate	2.7	3.8
Price inflation	3.4	3.2
Pension increases for in-payment benefits	3.3	3.1
Pension increases for deferred benefits	3.3	3.2
Future life expectancy for a pensioner currently aged 65		
- Male	21.0	22.5
- Female	23.4	24.5
Future life expectancy from age 65 for a pensioner who retires in 15 years and is currently aged 50		
- Male	22.0	22.4
- Female	24.6	25.0

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

18. PENSIONS (CONTINUED)

Sensitivity analysis of significant assumptions

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected, by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

The price inflation sensitivity takes into account the effect of deferred revaluation and pension increases in payment. The sensitivities have been calculated using a consistent method to that used to calculate the DBO (i.e. they are based on a roll forward and change basis of the results of the 31 March 2015 triennial valuation).

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Effect on defined benefit obligation
Discount rate - 0.5% decrease	+11.0%
Inflation assumption - 0.5% increase	+10.9%
One year increase in expected lifetime of plan participants	+3.8%

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 21.4 years (2015: 20.5 years). Expected benefits payable are as follows:

	£'000
Year ended December 2016	20,530
Year ended December 2017	21,228
Year ended December 2018	21,950
Year ended December 2019	22,696
Year ended December 2020	23,468
Year ended December 2021 to 31 December 2025	129,864

19. SHARE-BASED PAYMENTS

Employee Share Option Plan

The company participates in the Gannett Co., Inc. 2001 Omnibus Incentive Compensation Plan. Under the plan discretionary share options in the group's ultimate parent undertaking, Gannett Co., Inc. are granted to employees. Gannett Co., Inc.'s shares are publicly traded on the New York Stock Exchange and the exercise price of the options is equal to the actual closing market price of the shares on the date of grant.

The options vest evenly over four years from the date of grant provided that the employee remains in service. The contractual life of the options is 8 years and there are no cash settlement alternatives.

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

	2016 No.	**2016 WAEP**	**2015 No.**	**2015 WAEP**
Outstanding at 28 December 2015 and 29 December 2014	44,655	$7.11	169,013	$31.94
Forfeited during the year	(20,546)	$9.23	(47,400)	$58.54
Stock split[2]	-	-	(53,025)	$7.78
Exercised[1]	(11,353)	$5.13	(24,482)	$22.72
Transferred to fellow subsidiary	-	-	549	$15.69
Outstanding at 25 December 2016[3] and 27 December 2015	12,756	$5.45	44,655	$7.11
Exercisable at 25 December 2016 and 27 December 2015	12,756	$5.45	44,655	$7.11

[1] The weighted average share price at the date of exercise for the options exercised is $13.03 (2015 - $29.61).

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52 weeks ended 25 December 2016

19. SHARE-BASED PAYMENTS (CONTINUED)

Employee Share Option Plan (continued)

[2] On 29 June 2015 Gannett Co., split its operations into two separate listed groups; TEGNA Inc. and Gannett Co., Inc. For every outstanding stock option grant held on the date of split the option holder received an adjusted grant in TEGNA and a new grant in new Gannett.

[3] For the share options outstanding at 25 December 2016, the weighted average remaining contractual life is 1.92 years (2015: 1.83 years).

The range of exercise prices for options outstanding at the end 2016 was $4.63 - $5.71 (2015 - $2.65 - $11.17).

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.

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.

The following table illustrates the number and weighted average share price at which the awards were granted (WASP) and movements in share awards during the year.

	2016 No.	2016 WASP*	2015 No.	2015 WASP*
Outstanding at 28 December 2015 and 29 December 2014	283	$10.33	565	$18.62
Stock split[1]	-	-	(282)	$10.33
Settled[2]	(175)	$7.23	-	-
Outstanding at 25 December 2016 and 27 December 2015	108	$15.37	283	$10.33

*The weighted average share price (WASP) is the share price at the time the Chairman's Awards were granted, averaged over the number of shares outstanding at the balance sheet date.

[1] On 29 June 2015 Gannett Co., split its operations into two separate listed groups; TEGNA and Gannett Co., Inc. For every outstanding stock option grant held on the date of split the option holder received an adjusted grant in TEGNA and a new grant in new Gannett.

[2] The weighted average share price at the date of settlement was $12.06 (2015 - $nil)

Restricted stock

Restricted stock grants 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 vests 4 years after the grant date.

	2016 No.	2016 WASP*	2015 No.	2015 WASP*
Outstanding at 28 December 2015 and 29 December 2014	105,310	$10.47	136,559	$18.19
Granted during the year[3]	54,440	$16.29	71,169	$10.48
Forfeited during the year	(12,642)	$12.57	(44,154)	$18.05
Stock split[2]	-	-	(31,980)	$11.16
Settled[1]	(22,666)	$9.39	(35,839)	$16.41
Transferred to fellow subsidiary	-	-	9,555	$14.13
Outstanding at 25 December 2016 and 27 December 2015	124,442	$13.00	105,310	$10.47

*The weighted average share price (WASP) is the share price at the time the Restricted stock was granted, averaged over the number of shares outstanding at the balance sheet date.

[1] The weighted average share price at the date of settlement of the Restricted stock was $14.41 (2015 $33.03).

[2] On 29 June 2015 Gannett Co., split its operations into two separate listed groups; TEGNA and Gannett Co., Inc. For every outstanding stock option grant held on the date of split the option holder received an adjusted grant in TEGNA and a new grant in new Gannett.

[3] The weighted average fair value of Restricted stock granted in 2016 was $14.75 (2015 - $28.85).

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2016

19. SHARE-BASED PAYMENTS (CONTINUED)

Performance Shares

Performance shares are discretionary shares awarded to certain individuals out of the 2001 Omnibus Incentive Compensation Plan. The number of Performance Shares the employee will ultimately be entitled to receive will be calculated based on multiplying the employee's target number of performance shares by the applicable percentage determined on how Gannett Co., Inc.'s total shareholder return compares to the total shareholder return of the comparator companies during the incentive period. 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 3 years after the grant date.

	2016 No.	2016 WASP*	2015 No.	2015 WASP*
Outstanding at 28 December 2015 and 29 December 2014	46,839	$14.71	98,855	$18.93
Granted during the year	20,829	$16.29	28,967	$13.88
Forfeited	(3,418)	$15.17	(15,110)	$23.71
Stock split[2]	-	-	(17,870)	$16.05
Settled[1]	(13,750)	$13.41	(48,003)	$13.37
Outstanding at 25 December 2016 and 27 December 2015	50,500	$15.68	46,839	$14.71

*The weighted average share price (WASP) is the share price at the time the Performance shares were granted, averaged over the number of shares outstanding at the balance sheet date.

1 The weighted average share price at the date of settlement of the Performance shares was $14.84 (2015 $13.37)

2 On 29 June 2015 Gannett Co., split its operations into two separate listed groups; TEGNA and Gannett Co., Inc. For every outstanding stock option grant held on the date of split the option holder received an adjusted grant in TEGNA and a new grant in new Gannett.

The weighted average fair value of Performance shares granted in 2016 was $19.30 (2015 - $39.47).

20. RELATED PARTIES

The company is a wholly owned subsidiary included in the consolidated financial statements of its ultimate parent company. These financial statements are publicly available, therefore, the company has taken advantage of the exemption under paragraph 8 (k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries. The amounts from or due to group companies at the balance sheet date are shown in notes 11 and 12 respectively.

Directors'e emoluments are disclosed in note 4 and matters relating to the Newsquest Pension Scheme in note 18.

21. POST BALANCE SHEET EVENT

On 26 December 2016 the business assets and liabilities of the subsidiaries; Newsquest (Yorkshire & North East) Limited, Newsquest (North East) Limited, Newsquest (York) Limited, Newsquest (North West) Limited, Newsquest (London & Essex) Limited, Newsquest (Sussex) Limited, Newsquest (Southern) Limited, Newsquest (Berkshire) Limited and Newsquest (Oxfordshire & Wiltshire) Limited were transferred to the company. On the same date the business, assets and liabilities of the Oxfordshire & Wiltshire business were transferred to Newsquest (Midlands South) Limited. Following the transfer of the business assets and liabilities, the reserves of the subsidiaries were distributed to Newsquest Media Group Limited.

22. ULTIMATE PARENT COMPANY

The company's ultimate parent and controlling company is Gannett Co., Inc., a company incorporated in the United States of America. The intermediate parent and controlling company in the United Kingdom is Gannett U.K. Limited, a company incorporated in Great Britain and registered in England and Wales. The immediate parent is Newsquest Capital Limited. The consolidated financial accounts of Gannett Co., Inc., comprise the largest group of which the company is a member that prepares 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 or online at www.gannett.com investor relations.