Company Registration No. 1676637

NEWSQUEST MEDIA GROUP LIMITED

Annual Report and Financial Statements for the 53 weeks ended 31 December 2017

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

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 53 weeks ended 31 December 2017.

PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS AND FUTURE PROSPECTS

Newsquest Media Group Limited ("the company") operates within the publishing and printing industry. In the prior year, the company provided management services to group companies. As described below, during 2017 the Newsquest group underwent restructuring which resulted in the trade and assets of the majority of the company's subsidiaries being transferred to Newsquest Media Group Limited. 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:

	2017* £'000	2016* £'000	Change %
Adjusted EBITDA**	21,350	33,055	(35.4%)

* The income statements cover the 53 weeks from 26 December 2016 to 31 December 2017 and the 52 weeks from 28 December 2015 to 25 December 2016.

**Earnings before interest, tax, depreciation, restructuring costs, write-down of investments, share based payment charges, IAS 19 pension charges and income from fixed asset investments (see note 2 (b)). This does not include the EBITDA of unconsolidated subsidiaries.

The £12m drop in adjusted EBITDA is due to a change in the organisation of Newsquest. In 2016 £46.4m of the turnover represented management recharges to subsidiary companies, the majority of which related to pension contributions of £36.6m paid in 2016 into the Newsquest Pension Scheme (see note 23). Offset against these recharges of £46.4m were just the group operating costs of £14.2m and not the operating costs of the trading subsidiaries. In 2016 this gave rise to the majority of the adjusted EDITDA of £33m (operating profit from core business £31.8m). Following the group restructuring at the start of 2017 only £6m of the turnover of £130m is management recharges with an associated operating profit of £0.5m. £123m of the remaining turnover is the operations of the subsidiary companies transferred to Newsquest Media Group Ltd on 26 December 2016 along with their operating costs of £76m and resulting operating profit from core business of £15m.

Group restructuring

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 Media (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 and the Wales business of Newsquest Media (Southern) Limited 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.

2017 acquisitions

On 12 July 2017 the company acquired the share capital of the Isle of Wight County Press Group of companies for cash consideration of £5.85m. The group has operations exclusively in Isle of Wight. Turnover of the Isle of Wight Group of companies for the year to 30 June 2017 was £4.9m and operating loss £0.3m.

On 26 September 2017 the company acquired the share capital of NWN Media Limited for cash consideration of £4.447m comprising of £4.047m for the shares and £0.4m in debt repayment. The group has operations in North Wales. Turnover for NWN Media Limited for the year to 31 March 2017 was £13.1m and operating profit £0.5m.

On 31 December 2017 the business assets and liabilities of the subsidiaries; Newsquest (Midlands South) Limited, Newsquest (Herald & Times) Limited, Romanes Media Group Limited, Isle of Wight County Press Group Limited, Isle of Wight County Press Limited, Matrix e-Business Limited, Crossprint Limited and NWN Media Limited were transferred to the company. Following the transfer of the business assets and liabilities, the reserves of these subsidiaries were distributed to Newsquest Media Group Limited.

2018 acquisitions and post balance sheet events

On 12 March 2018 the company acquired the share capital of the CN Group of companies for cash consideration of £3.425m. The group has operations in North Lancashire, Cumbria, Northumberland, Dumfries and Galloway. Consolidated turnover for CN Group Limited for the year to 31 December 2017 was £19.6m and operating profit £1.1m.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

2018 acquisitions and post balance sheet events (continued)

After the acquisition the assets and liabilities of the CN Group Pension Fund and the CN Group Supplementary Pension Fund were transferred to be separate sections of the Newsquest Pension Scheme.

With effect from 1 July 2018 the Company reached agreement with the Newsquest Pension Trustee that annual increases in pension benefits will be with reference to CPI rather than RPI in all sections of the Newsquest Pension Scheme. This has the effect of turning the accounting pension deficit into a surplus. A new schedule of contributions was also agreed with the Trustees, increasing company contributions to the Pension Scheme.

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, as the principal employer of the Newsquest Pension Scheme (the Scheme), is ultimately responsible for meeting any deficit in the pension scheme. The £122m reduction in the pension deficit, from £199m at the end of 2016 to £77m at the end of 2017, is the result of a 0.05% reduction in the discount rate combined with changes in actuarial assumptions.

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. In 2018 it was agreed that the indexation of benefits change to CPI from RPI and a new schedule of contributions was agreed. The change in indexation moved the scheme from a deficit to a surplus on an accounting basis. The new schedule of contributions eliminates the deficit on the Scheme's funding basis in 2021.

Business opportunities

The company continues to seek attractive opportunities to invest. During the period the company acquired the share capital of a group of companies in the Isle of Wight and NWN Media Limited. On 12 March 2018 the company acquired the CN Group of companies in North Lancashire, Cumbria, Northumberland, Dumfries and Galloway. The company actively manages the integration of acquired businesses.

This report was approved by the Board and signed on its behalf on 20 September 2018.

Paul Hunt

P Hunter
Director

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 53 weeks ended 31 December 2017.

RESULTS AND DIVIDENDS

The loss on ordinary activities after taxation amounted to £213,305,000 (2016 - £23,514,000 profit). The loss in the current period reflects the impact of a one-time effect from the group restructuring which is detailed in the strategic report.

There were no interim dividends paid in the period (2016 - £nil on ordinary shares and £nil on cumulative redeemable preference shares). The directors do not recommend a final dividend (2016 - £nil).

FUTURE DEVELOPMENTS

The strategic report provides details of group reorganisations which took place on 26 December 2016 and 31 December 2017 to transfer 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 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.

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 £13,000 (2016 - £16,000) 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 £292,330 (2016 - £282,950) 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' REPORT (CONTINUED)

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'.

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 are expected to continue to generate positive operating cash flows on their own account for the foreseeable future. As a group wholly owned by Gannett Co., Inc. the UK group benefits from long term finance.

On the basis of their assessment of the company's financial position, 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 20 September 2018.

P Hunter
Director

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

Opinion

We have audited the financial statements of Newsquest Media Group Limited for the year ended 31 December 2017 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, Other Comprehensive Income Statement and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Naresh Alimchandani (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 September 2018

INCOME STATEMENT
For the 53 weeks ended 31 December 2017

	Note	Continuing operations 2017 £'000	Acquisitions* 2017 £'000	Total 2017 £'000	2016 £'000
TURNOVER		6,898	123,563	130,461	46,630
Cost of sales		(153)	(31,859)	(32,012)	(581)
GROSS PROFIT		6,745	91,704	98,449	46,049
Selling and distribution costs		(924)	(27,116)	(28,040)	(2,124)
Administrative expenses		(5,328)	(49,063)	(54,391)	(12,116)
OPERATING PROFIT FROM CORE BUSINESS	2	493	15,525	16,018	31,809
Exceptional restructuring costs	2	(489)	(1,592)	(2,081)	(520)
Writedown of investment in subsidiaries	2	(391,763)	(15,355)	(407,118)	-
OPERATING (LOSS)/PROFIT	2	(391,759)	(1,422)	(393,181)	31,289
Other finance costs	23	(5,158)	-	(5,158)	(5,460)
Income from fixed asset investments	5	182,865	-	182,865	-
Interest receivable and similar income	6	2,653	-	2,653	3,045
Interest payable and similar expenses	7	(119)	(56)	(175)	(287)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(211,518)	(1,478)	(212,996)	28,587
Income tax charge	8	(309)	-	(309)	(5,073)
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD	21	(211,827)	(1,478)	(213,305)	23,514
STATEMENT OF OTHER COMPREHENSIVE GAIN/(LOSS):					
Items that will not be reclassified to profit or loss					
Actuarial gain due to liability experiences	23	21,995	-	21,995	-
Actuarial gain/(loss) due to pension liability assumption changes	23	46,726	-	46,726	(135,903)
Return on pension plan assets greater than discount rate	23	42,982	-	42,982	62,981
Deferred tax on items relating to components of other comprehensive income	18	(19,592)	-	(19,592)	12,162
Other Comprehensive income/(loss) for the year, net of tax	21	92,111	-	92,111	(60,760)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(119,716)	(1,478)	(121,194)	(37,246)

* The activity reported above for acquisitions all relates to group restructuring for the entities presented in note 10 (a) less the entities transferred out on the same day as presented in note 10 (b) for which there is no impact on the income statement.

The notes on pages 10 to 36 form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
For the 53 weeks ended 31 December 2017

	Share capital £'000	Retained earnings £'000	Total £'000
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
Loss for the period	-	(213,305)	(213,305)
Bonus share issue – see note (a) below	187,372	(187,372)	-
Capital reduction – see note (b) below	(187,798)	187,798	-
Other comprehensive income	-	92,111	92,111
Share-based payment transactions (note 3)	-	1,423	1,423
Payment to ultimate parent in respect of shares exercised (note 3)	-	(515)	(515)
At 31 December 2017	-	102,287	102,287

Note (a): On 10 October 2017, a special resolution was passed to increase the share capital by £187,372,000 through a bonus issue of 187,372,000 ordinary shares of £1 each to the shareholder, Newsquest Capital Limited.

Note (b): Following the completion of the above transaction, it was subsequently resolved on 10 October 2017 to reduce the share capital of the company by the cancellation 187,371,999 £1 ordinary shares, 1,270 \$1 ordinary shares, 127 deferred £1 ordinary shares, 325,000 1% first cumulative redeemable preference shares of £1 each, 99,900 1% second cumulative redeemable preference shares of £1 each and transfer these amounts to distributable reserves.

BALANCE SHEET
31 December 2017

	Note	£'000	2017 £'000	£'000	2016 £'000
FIXED ASSETS					
Intangible assets	11		98,899		-
Tangible fixed assets	12		70,248		1,597
Investments	13		12,999		367,113
			182,146		368,710
CURRENT ASSETS					
Assets held for resale	14	400		-	
Stock	15	1,196		-	
Debtors: amounts falling due within one year	16	38,691		64,650	
Cash at bank and in hand		20,228		5,492	
		60,515		70,142	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	17	(54,053)		(75,653)	
NET CURRENT ASSETS/(LIABILITIES)			6,462		(5,511)
NON-CURRENT ASSETS					
Debtors: amounts falling due after one year	16	24		76,770	
Deferred tax assets	18	20,201		39,209	
			20,225		118,979
TOTAL ASSETS LESS CURRENT LIABILITIES			208,833		479,178
NON-CURRENT LIABILITIES					
Amounts owed to group undertakings		(17)		(56,603)	
Deferred tax liabilities	18	(21,530)		-	
Pension deficit	23	(76,986)		(198,531)	
			(98,533)		(255,134)
PROVISIONS FOR LIABILITIES	19		(8,013)		(1,471)
NET ASSETS			102,287		222,573
CAPITAL AND RESERVES					
Called up share capital	20		-		426
Retained earnings	21		102,287		222,147
TOTAL EQUITY	21		102,287		222,573

The notes on pages 10 to 36 form part of the financial statements.

The financial statements on pages 7 to 36 were approved by the Board of Directors and were signed on its behalf on 20 September 2018 by:

P Hunter
Director

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

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). The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and the Companies Act 2006. 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 53 weeks from 26 December 2016 to 31 December 2017 and 52 weeks from 28 December 2015 to 25 December 2016. The balance sheets for 2017 and 2016 have been drawn up at 31 December 2017 and 25 December 2016 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.

Publishing and other rights

The company's intangible assets are publishing rights which are stated at fair value on acquisition with no subsequent revaluation. These publishing rights have no finite life and consequently are not amortised. The company does not capitalise internally generated publishing rights.

The carrying value of the publishing rights is reviewed for impairment at least annually with testing undertaken to determine any diminution in the recoverable amount below carrying value. The recoverable amount is the higher of the fair value less costs to sell and the publishing rights value in use. The latter is based on the net present value of estimated future cash flows discounted at the company's pre-tax weighted average cost of capital. Any impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

Judgements and key sources of estimation uncertainty (continued)

Publishing and other rights (continued)

For the purpose of impairment testing, publishing rights are allocated to each of the company's cash generating units. The directors consider the publishing rights to be one homogenous cash generating unit. The cash generating unit is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of the value of publishing rights and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

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.

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 8.

Valuation of share-based payments

The company estimates the expected value of equity-settled share-based payments and this is charged through the income statement over the vesting periods of the relevant awards. The cost is estimated using a Black-Scholes valuation model. The Black-Scholes calculations are based on a number of assumptions and are amended to take account of estimated levels of share vesting and exercise.

Significant accounting policies

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.

Print advertising revenues and circulation revenues for paid-for newspapers are recognised upon publication of the relevant newspaper.

Digital revenues are recognised on publication for advertising or delivery of the service for other digital revenues. The company recognises digital revenue from the display of graphical advertisements based on the actual impressions delivered in the period. An impression is delivered when an advertisement appears in pages viewed by users.

Printing revenue is recognised when the service is provided.

Revenues from barter transactions are recognised when the advertisements are published and are recorded at the fair value of goods or services received, in accordance with SIC 31, 'Barter Transactions involving Advertising Services.'

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

Royalties

Royalty income is recognised on an accruals basis in accordance with the relevant agreements and is included in other income.

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.

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.

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.

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:

Freehold buildings (excluding land)	50 years
Long leasehold properties	See note below*
Asset retirement obligations	See note below**
Web offset presses (excluding press components)	20 years
Pre-press systems	5 - 7 years
Computer equipment	3 years
Other plant and machinery	3 - 15 years
Motor vehicles	4 years

*Long leases are written off over the shorter of the duration of the lease or 2% straight line basis if the lease is longer than 50 years.

**Asset retirement obligations are written off over the duration of the lease.

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.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

Tangible fixed assets and depreciation (continued)

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.

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.

Stocks

Stocks comprising paper, plates and ink are stated at the lower of cost and net realisable value. Costs incurred in bringing to their present location and condition comprises raw materials at purchase cost on a first in first out basis. Net realisable value is selling price less any further costs expected to be incurred to completion and disposal.

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 liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is certain. The expense relating to any provision is presented in the income statement net of any reimbursement. When discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

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.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end date.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax-based values used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax outcomes that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when the relevant requirements of IAS 12 are satisfied.

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 £15,000,000 (2016 - £36,600,000) 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.

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.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

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 (LOSS)/PROFIT AND ADJUSTED EBITDA

	2017 £'000	2016 £'000
(a) Operating (loss)/profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets:		
- owned	2,992	612
- held under finance leases	917	34
Profit on disposal of tangible fixed assets	(183)	(2)
Operating lease rentals:		
- land and buildings	1,225	87
- plant and equipment	4,371	4,042
Exceptional restructuring costs	2,081	520
Writedown of investment in subsidiaries (note 13)	407,118	-

The company paid £425,000 (2016 - £392,000) to its auditors in respect of the audit of the financial statements and for audit services of the entire Gannett International Holdings LLP group. The auditors did not perform any non-audit services during the year (2016 - £nil).

Exceptional restructuring costs primarily relate to redundancy.

(b) Adjusted EBITDA* has been calculated as follows:

	2017 £'000	2016 £'000
Operating (loss)/profit	(393,181)	31,289
Write down of investments in subsidiaries	407,118	-
Exceptional restructuring costs	2,081	520
Depreciation	3,909	646
Share based payments	1,423	600
	21,350	33,055

* Earnings before interest, tax, depreciation, restructuring costs, write-down of investments, share based payment charges, IAS 19 pension charges and income from fixed asset investments.

3. STAFF COSTS

	2017 £'000	2016 £'000
Wages and salaries[1]	54,765	15,543
Social security costs	4,612	1,436
Other pension costs[2]	1,976	726
	61,353	17,705

[1] Included in wages and salaries is a total expense for share-based payments of £1,423,000 (2016 - £600,000). Recharges for the intrinsic value of options exercised in 2017 of £515,000 (2016 - £546,000) have been taken directly to reserves.

[2] Included in other pension costs in 2017 are £nil (2016 - £nil) in respect of defined benefit schemes and £1,976,000 (2016 - £726,000) in respect of the defined contribution scheme.

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

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

3. STAFF COSTS (CONTINUED)

	2017 Number	2016 Number
Pre-press and printing	123	20
Editorial	540	157
Marketing and sales	736	137
Distribution	233	11
Finance and management	205	132
Digital media	54	39
	1,891	496

There are also 5,424 (2016 – nil) people involved in distribution who work limited hours to deliver the company's products. The costs of these people are included in staff costs above.

4. DIRECTORS' EMOLUMENTS

	2017 £'000	2016 £'000
Executive Directors' salaries	545	545
Taxable benefits and car allowance	27	26
Performance related payments	300	230
Pension related	29	30
	901	831

The aggregate emoluments of the highest paid director were £526,022 (2016 - £479,746). During the year the highest paid director did not exercise share options under a long-term incentive scheme. In 2017 pension related payments of £16,482 were made by the company on behalf of the highest paid director (2016 - £16,925).

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

At 31 December 2017 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 (2016 – five). None of the directors exercised share options in the company's ultimate parent undertaking Gannett Co. Inc. during the year (2016 – none).

5. INCOME FROM FIXED ASSET INVESTMENTS

	2017 £'000	2016 £'000
Dividends from group undertakings	182,865	-

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £'000	2016 £'000
Bank interest	39	93
Other interest	14	-
Interest receivable from ultimate parent undertaking	457	30
Interest receivable from group undertakings	2,143	2,922
	2,653	3,045

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £'000	2016 £'000
Unwind of discount on provisions (note 19)	96	39
Interest payable to group undertakings	79	248
	175	287

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

8. TAXATION

(a) Tax charged in the income statement	2017 £'000	2016 £'000
Current income tax charge:		
UK corporation tax at 19.25% (2016 – 20.00%)	-	(1,363)
Adjustments in respect of prior periods	(104)	112
	(104)	(1,251)
Deferred tax charge:		
Origination and reversal of temporary differences	(633)	(3,255)
Adjustments in respect of prior periods	127	(1)
Effect of change in tax rates	301	(566)
	(205)	(3,822)
Total income tax charge reported in the income statement all relating to continuing operations	(309)	(5,073)

(b) Tax relating to items (charged)/credited to other comprehensive income	2017 £'000	2016 £'000
Deferred tax:		
Actuarial gains due to pension liability assumption changes	(12,053)	23,103
Return on pension plan assets greater than discount rate	(7,539)	(10,707)
Movement in deferred tax rate	-	(234)
Total deferred tax	(19,592)	12,162
Total income tax (charge)/credit reported in the other comprehensive income statement all relating to continuing operations	(19,592)	12,162

(c) Reconciliation of the total tax charge:	2017 £'000	2016 £'000
(Loss)/profit from continuing activities before taxation	(212,996)	28,587
Tax on the (losses)/profits on ordinary activities at the standard UK rate of corporation tax of 19.25% (2016 - 20.00%)	41,002	(5,717)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Current tax (under)/over provided in prior years	(104)	112
Deferred tax over/(under) provided in prior years	127	(1)
Effect of change in tax rates	301	(566)
Tax effect of items that are not deductible or not taxable in determining taxable profit:		
Other non-deductible expenses	(43,502)	(13)
UK to UK transfer pricing adjustments	(18)	(537)
Difference between current and deferred tax rates in current year	1,534	(539)
Group relief (surrendered)/claimed for nil payment	(1,165)	2,173
Deferred tax movement on share-based payments	114	15
Capital losses claimed for nil payment	47	-
Transfer from recognised to unrecognised deferred tax	14	-
Deferred tax movement no current tax impact	1,341	-
Total income tax charge reported in the income statement	(309)	(5,073)

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.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

8. **TAXATION (CONTINUED)**

(d) Deferred tax in the income statement

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

	2017 £'000	2016 £'000
Accelerated depreciation for tax purposes	(425)	(26)
Other timing differences	(1,283)	3,007
Trade intangibles	(182)	-
Rolled over gains	47	-
Properties not eligible for capital allowances	160	-
Share based payments	114	14
Pensions	(405)	(6,250)
Capital losses	1,341	-
Impact of change in tax laws and rates	301	(566)
Deferred tax over/(under) provided in prior years	127	(1)
	(205)	(3,822)

(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.

9. **ACQUISITIONS**

On 12 July 2017 the company acquired for £5.85m the Isle of Wight County Press Group Limited ("IOW") and its subsidiaries; E-Matrix Business Limited, Isle of Wight County Press Limited and Crossprint Limited.

On 26 September 2017 the company acquired NWN Media Limited ("NWN") for £4.447m. The consideration comprised £4.047m for the shares and £0.4m in debt repayment.

The cost of these investments to the company is shown as additions in note 13. The table below presents the fair value of the assets and liabilities acquired at the date of each acquisition. Subsequently on 31 December 2017 the trade, assets and liabilities of all these companies were transferred to Newsquest Media Group Limited as part of a group reconstruction (see note 10 (c)). Therefore, there is no trading activity in the income statement from these acquired businesses in 2017.

	IOW 12 July £'000	NWN 26 Sept £'000	Total £'000
Fixed Assets			
Intangible fixed assets	1,493	946	2,439
Tangible fixed assets	1,428	4,757	6,185
Investments	345	8	353
Current assets:			
Stock	42	127	169
Debtors	947	1,545	2,492
Cash	2,569	545	3,114
Total Assets	**6,824**	**7,928**	**14,752**
Liabilities			
Creditors	(894)	(2,520)	(3,414)
Deferred taxation liabilities	(58)	(580)	(638)
Provisions	(23)	(381)	(404)
Net assets acquired	**5,849**	**4,447**	**10,296**
Consideration (note 13)	**5,849**	**4,447**	**10,296**

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

10. GROUP RESTRUCTURING

(a) On 26 December 2016 the trade, assets and liabilities of Newsquest (Yorkshire & North East) Limited, Newsquest (North West) Limited, Newsquest (North East) Limited, Newsquest (York) Limited, Newsquest (Oxfordshire & Wiltshire) Limited, Newsquest (Sussex) Limited, Newsquest (London & Essex) Limited, Newsquest Media (Southern) Limited and Newsquest (Berkshire) Limited were transferred to the company. In accordance with IFRS 3 these transfers of businesses under common control were at carrying value for consideration of £85,612,000.

	Newsquest (Yorkshire & North East) Limited £'000	Newsquest (North West) Limited £'000	Newsquest (North East) Limited £'000	Newsquest (York) Limited £'000	Newsquest (Oxfordshire & Wiltshire) Limited £'000	Newsquest (Sussex) Limited £'000	Newsquest (London & Essex) Limited £'000	Newsquest Media (Southern) Limited £'000	Newsquest (Berkshire) Limited £'000	Total £'000
Fixed Assets										
Intangible fixed assets – note 11	7,326	19,340	12,752	2,320	15,354	-	-	15,956	3,013	76,061
Tangible fixed assets – note 12	666	2,567	553	981	13,304	273	3,738	30,982	59	53,123
Investments – note 13	-	-	-	-	-	-	2,074	30,458	-	32,532
Current assets:										
Stocks	130	-	-	-	-	-	-	788	-	918
Other debtors	121	-	-	-	-	-	352	26	-	499
Prepayments and accrued income	370	14	-	-	-	-	898	1,579	-	2,861
Assets held for resale	-	779	-	-	-	-	-	-	-	779
Cash	-	-	-	-	-	-	24	49	-	73
Amounts due from group companies	37,348	4,569	4,901	8,730	-	10,980	22,936	2,646	1,890	94,000
Total Assets	45,961	27,269	18,206	12,031	28,658	11,253	30,022	82,484	4,962	260,846
Liabilities										
Trade creditors	(311)	-	-	-	-	-	(105)	(718)	-	(1,134)
Other creditors	-	(114)	(29)	-	(36)	(40)	(243)	(721)	(40)	(1,223)
Other tax and social security	(57)	(4)	-	-	(4)	-	(341)	(408)	-	(814)
Accruals and deferred income	(1,962)	-	-	-	(101)	-	(1,610)	(2,123)	-	(5,796)
Amounts due from group companies	(21,189)	(19,146)	-	-	(19,478)	-	(23,305)	(61,600)	(1,832)	(146,550)
Total Liabilities	(23,519)	(19,264)	(29)	-	(19,619)	(40)	(25,604)	(65,570)	(1,872)	(155,517)
Deferred taxation (liabilities) /assets – note 18	(1,023)	(3,017)	(2,120)	(435)	(4,776)	218	(267)	(4,417)	128	(15,709)
Provisions – note 19	(701)	(226)	(128)	(94)	(157)	(158)	(614)	(1,787)	(143)	(4,008)
Net assets acquired	**20,718**	**4,762**	**15,929**	**11,502**	**4,106**	**11,273**	**3,537**	**10,710**	**3,075**	**85,612**
Consideration	**20,718**	**4,762**	**15,929**	**11,502**	**4,106**	**11,273**	**3,537**	**10,710**	**3,075**	**85,612**

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

10. GROUP RESTRUCTURING (CONTINUED)

(b) On the same date, 26 December 2016, the trade, assets and liabilities of Newsquest (Oxfordshire & Wiltshire) Limited and the Wales business from Newsquest Media (Southern) Limited were transferred to Newsquest (Midlands South) Limited. In accordance with IFRS 3 these transfers of businesses under common control were at carrying value for proceeds of £4,105,000.

	Newsquest (Oxfordshire & Wiltshire) Limited £'000	Wales business £'000	Total £'000
Fixed Assets			
Intangible fixed assets – note 11	15,354	-	15,354
Tangible fixed assets	13,304	973	14,277
Total Assets	**28,658**	**973**	**29,631**
Liabilities			
Other creditors	(36)	-	(36)
Other tax and social security	(4)	-	(4)
Accruals and deferred income	(101)	-	(101)
Amounts due from group companies	(19,478)	(973)	(20,451)
Total Liabilities	**(19,619)**	(973)	**(20,592)**
Deferred taxation – note 18	(4,776)	-	(4,776)
Provisions – note 19	(158)	-	(158)
Net assets acquired	**4,105**	-	**4,105**
Proceeds	**4,105**	-	**4,105**

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

10. GROUP RESTRUCTURING (CONTINUED)

(c) On 31 December 2017 the trade, assets and liabilities of Newsquest (Midlands South) Limited, Newsquest (Herald & Times) Limited, Isle of Wight County Press Group Limited, E-Matrix Business Limited, Isle of Wight County Press Limited, Crossprint Limited, NWN Media Limited and Romanes Media Group Limited were transferred to the company. In accordance with IFRS 3 these transfers of businesses under common control were at carrying value for consideration of £73,620,000.

	Newsquest (Midlands South) Limited £'000	Newsquest (Herald & Times) Limited £'000	Romanes Media Group Limited £'000	Isle of Wight County Press Group Limited £'000	E-Matrix Business Limited £'000	Isle of Wight County Press Limited £'000	Crossprint Limited £'000	NWN Media Limited £'000	Total £'000
Fixed Assets									
Intangible fixed assets – note 11	34,311	3,451	-	-	-	-	-	430	38,192
Tangible fixed assets – note 12	13,595	11,616	-	1,233	-	69	92	4,759	31,364
Investments – note 13	-	-	7,842	-	-	-	-	8	7,850
Current assets:									
Stocks	268	273	-	-	-	-	-	-	541
Other debtors	91	-	-	-	-	-	-	-	91
Prepayments and accrued income	479	1,438	-	-	-	-	-	-	1,917
Assets held for resale – note 14	400	-	-	-	-	-	-	-	400
Cash	167	7	-	-	-	-	-	-	174
Amounts due from group companies	-	42,673	968	1,087	-	-	932	-	45,660
Total Assets	49,311	59,458	8,810	2,320	-	69	1,024	5,197	126,189
Liabilities									
Trade creditors	(424)	(264)	-	-	-	-	-	-	(688)
Other creditors	(567)	(573)	-	-	-	-	-	(112)	(1,252)
Other tax and social security	(697)	(465)	-	-	-	-	-	-	(1,162)
Corporation tax	(1,490)	(547)	-	(46)	-	(12)	-	-	(2,095)
Accruals and deferred income	(1,937)	(2,723)	-	-	-	-	-	-	(4,660)
Amounts due from group companies	(29,291)	-	-	-	-	(76)	-	(542)	(29,909)
Total Liabilities	(34,406)	(4,572)	-	(46)	-	(88)	-	(654)	(39,766)
Deferred taxation (liabilities) /assets – note 18	(7,567)	(1,365)	-	(237)	-	19	(12)	(646)	(9,808)
Provisions – note 19	(528)	(2,164)	-	-	-	-	-	(303)	(2,995)
Net assets acquired	**6,810**	**51,357**	**8,810**	**2,037**	-	-	**1,012**	**3,594**	**73,620**
Consideration	**6,810**	**51,357**	**8,810**	**2,037**	-	-	**1,012**	**3,594**	**73,620**

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

11. INTANGIBLE ASSETS

	Publishing and other rights £'000
Cost	
At 26 December 2016	-
Transfers in from group restructuring – note 10 (a)	76,061
Transfers in from group restructuring – note 10 (c)	38,192
Transfers to group undertaking – note 10 (b)	(15,354)
At 31 December 2017	98,899
Carrying amount	
At 31 December 2017	98,899
At 25 December 2016	-

Publishing rights and trademarks previously acquired through business combinations and transferred to the company from other group companies following a group reconstruction are considered by the directors to be a homogenous cash generating unit (CGU) due to customers acquiring advertising solutions in packages across titles, geographical areas and products.

The company tests the carrying value of the publishing rights for impairment annually or more frequently if there are indications that they might be impaired. The recoverable amount of the CGU is determined from value in use calculations.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

12. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Construction in progress £'000	Total £'000
Cost				
At 26 December 2016	-	5,991	93	6,084
Additions	92	1,009	1,416	2,517
Disposals	-	(8,848)	-	(8,848)
Transfers in from group restructuring – note 10 (a)	63,176	75,013	265	138,454
Transfers in from group restructuring – note 10 (c)	26,584	57,826	738	85,148
Transfers out to group restructuring – note 10 (b)	(13,642)	(17,981)	-	(31,623)
Net transfers to group undertakings	-	(66)	-	(66)
Reclassification	-	1,722	(1,722)	-
At 31 December 2017	76,210	114,666	790	191,666
Depreciation				
At 26 December 2016	-	4,487	-	4,487
Charge for period	920	2,989	-	3,909
Disposals	-	(8,716)	-	(8,716)
Transfers in from group restructuring – note 10 (a)	25,657	59,674	-	85,331
Transfers in from group restructuring – note 10 (c)	14,428	39,356	-	53,784
Transfers out to group restructuring – note 10 (b)	(6,818)	(10,528)	-	(17,346)
Net transfers to group undertakings	-	(31)	-	(31)
At 31 December 2017	34,187	87,231	-	121,418
Carrying amount				
At 31 December 2017	42,023	27,435	790	70,248
At 25 December 2016	-	1,504	93	1,597

Included within plant and equipment are leased assets with a carrying amount of £1,423,000 (2016 - £41,000).

Included within land and buildings are long leaseholds with a net book value of £7,567,000 (2016 - £nil), short leaseholds with a net book value of £56,000 (2016 - £nil) and freeholds with a net book value of £32,736,000 (2016 - £nil), within which is freehold land with a net book value of £5,124,000 (2016 - £nil). Also included within land & buildings are assets retirement obligations with a net book value of £1,664,000 (2016 - £nil).

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

13. INVESTMENTS

	Investments in subsidiary undertakings	Other investments	Total investments
Cost	**£'000**	**£'000**	**£'000**
At 26 December 2016	787,153	-	787,153
Acquisitions – note 9	10,296	-	10,296
Group restructuring – note 10 (a)	167,794	-	167,794
Group restructuring – note 10 (c)	7,842	8	7,850
Capital contribution to subsidiary undertaking*	2,439	-	2,439
Disposals**	(962,420)	-	(962,420)
Refund of 2007 loan note expired	(113)	-	(113)
At 31 December 2017	12,991	8	12,999
Provisions			
At 26 December 2016	420,040	-	420,040
Group restructuring – note 10 (a)	135,262	-	135,262
Charge for period***	407,118	-	407,118
Disposals	(962,420)	-	(962,420)
At 31 December 2017	-	-	-
Carrying amount			
At 31 December 2017	12,991	8	12,999
At 26 December 2016	367,113	-	367,113

*On the 26 December 2016 Newsquest Media Group Limited made a capital contribution of £2,439,000 to Romanes Media Group Limited.

**The entities struck off and disposed of are listed below.

***Following the group restructuring on 26 December 2016 and 31 December 2017 there were dividends from the subsidiaries to Newsquest Media Group Limited of any distributable reserves. This left the subsidiary companies with nominal net amounts in their balance sheets pending strike off, consequently a provision of £407,118,000 was charged in the profit and loss account to write these investments down to their nominal balance sheet value.

The wholly owned 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 31 December 2017 are as follows:

Name of company	Nature of business
Newsquest Specialist Media Limited	Publishing
Newsquest (Herald & Times) Limited*	Dormant following restructuring (note 10)
Newsquest (Midlands South) Limited	Dormant following restructuring (note 10)
Sopress Investments Limited	Investment holding company
Newsquest (Clyde & Forth Press) Limited*	Publishing
Romanes Media Group Limited*	Holding company
Romanes Media Limited*	Holding company
Crossprint Limited	Dormant following restructuring (note 10)
Isle of Wight County Press Group Limited	Dormant following restructuring (note 10)
Isle of Wight County Press Limited	Dormant following restructuring (note 10)
Matrix e-Business Limited	Dormant following restructuring (note 10)
NWN Media Limited	Dormant following restructuring (note 10)
Newsquest Printing (Glasgow) Limited*	Holding company

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

13. INVESTMENTS (CONTINUED)

The dormant subsidiary companies of Newsquest Media Group Limited (all of which are wholly owned indirectly and incorporated in Great Britain and registered in England and Wales except those marked with an asterisk which are registered in Scotland* and Ireland**) at 31 December 2017 are as follows:

Name of Company	Name of Company
Atkins the Stationers Limited	Newsquest (Sussex) Limited
Forest Machine Journal Limited*	Newsquest Media (Southern) Limited
Newsquest (Berkshire) Limited*	Newsquest (York) Limited
Newsquest (Essex) Limited	Newsquest (Yorkshire & North East) Limited
Newsquest (Herts & Bucks) Limited	This is Essex Limited
Newsquest (London & Essex) Limited	Weekly Ad Limited
Newsquest (North East) Limited	LocaliQ Limited (Formerly Westminster Press Limited)
Newsquest (North West) Limited	William Trimble Limited**
Newsquest (Oxfordshire & Wiltshire) Limited	WP Publishing
Newsquest Pension Trustee Limited	
Newsquest Media (Midland) Limited	

The below list of dormant subsidiary companies of Newsquest Media Group Limited (all of which were wholly owned indirectly and incorporated in Great Britain and registered in England and Wales except those marked with an asterisk which were registered in Scotland) were dissolved during 2017:

Name of Company	Name of Company
Advertiser Series Limited	Bury Times Limited
Advertising Distribution Services Limited	C.H. Peacock Limited
Asherclose Limited	Campaign Free Newspapers Limited
Bailey Newspaper Group Limited	Cleadon Press Limited
Bailey Web Limited	Csonco Limited
Barry Printing and Publishing Co. Limited	Daily News Group Limited
Beck & Partridge Limited	Devobrook Limited
Bird Brothers Limited	Exchange Enterprises Limited
Brighton & District Property News Limited	Extonbase Limited
Firth FM Holdings Limited*	Sawp Limited
Fossilcove Limited	Sellix Limited
Gloucestershire Independent Limited	Slough Newspaper Printers Limited
H. Dawson & Co. (Printers) Limited	South Wales Argus Limited
Hampshire Newspapers Limited	South West Counties Newspapers Limited
Helston Printers Limited	South West Wales Newspapers Limited
Henry Pease & Company Limited	Southern Newspapers Limited
Independent Media Limited	Spiceford Limited
J.H.Lake & Co.Limited	Stelert Limited
Jaxman Limited	Stone Square Newsagency Limited
John. H. Burrows & Sons Limited	Stour Valley News Limited
Kinsman Reeds Limited	Surfield Limited
Lettercatch Limited	Swallowdove Limited
Msomn Limited	Teddington & Hampton Times Limited
New Forest Post Limited	The Avon Advertiser Limited
Newsquest Financial Media Limited	The Bedfordshire Times Publishing Company Limited
Newsquest (Investments) Limited	The Bradford & District Newspaper Company Limited
Newsquest (Leeds) Limited	The Craven Herald Limited
Newsquest Magazines Limited	The National Press Agency Limited
Newsquest Printing (Colchester) Limited	The Oxford Mail & Times Limited
Newsquest Printing (Lancashire) Limited	The Yorkshire Herald Newspaper Company Limited
Newsquest (Sunday Herald) Limited*	Two's Company (Dating) Limited
North of England Newspaper Company Limited	Warden & Company Limited

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

13. INVESTMENTS (CONTINUED)

Name of Company

Nursing Spectrum UK Limited
Packet Newspapers (Cornwall) Limited
Partridge Printers Limited
Property Weekly Limited
Pythondeck Limited
Rawlings & Walsh Limited
Rusholmes Printers Limited
S1Now Limited*
Salisbury Journal Newspapers Limited

Name of Company

West Country Magazines Limited
Westmorland Gazette Limited
Wiltshire Newspapers Limited
WM Dresser & Sons Limited
Wroughton Press Limited
Wxan Limited
Yeoman Developments (Winton) Limited
Your Radio FM Limited

The below list of dormant subsidiary companies of Newsquest Media Group Limited (all of which were wholly owned indirectly and incorporated in Great Britain and registered in England and Wales except those marked with an asterisk which were registered in Scotland) were dissolved during 2018:

Bailey Print Limited
Romanes Media Group EBT Limited*
West of England Newspapers Limited

14. ASSETS HELD FOR RESALE

	2017 £'000	2016 £'000
Non-current assets held for sale		
Land & Buildings – note 10 (c)	400	-

For a number of years, the company has sought to relocate its Swindon business to more appropriately sized accommodation. The sale of the site was completed in April 2018.

15. STOCKS

	2017 £'000	2016 £'000
Raw materials	1,196	-

16. DEBTORS

	2017 £'000	2016 £'000
Amounts falling due in less than one year:		
Trade debtors	26,188	26,941
Amounts due from group undertakings	6,011	32,517
Other debtors	1,105	580
Prepayments and accrued income	5,387	3,058
Corporation tax	-	1,554
	38,691	64,650

	2017 £'000	2016 £'000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	24	76,770

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Trade creditors	4,027	2,745
Amounts due to group undertakings	28,874	63,545
Other taxation and social security	5,688	4,457
Corporation tax	190	-
Other creditors	2,755	640
Accruals and deferred income	12,519	4,266
	54,053	75,653

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

18. DEFERRED TAXATION

Reconciliation of net deferred tax (liabilities)/assets	**2017 £'000**	**2016 £'000**
As at 26 December 2016	39,209	30,869
Tax charge during the period recognised in the income statement	(205)	(3,822)
(Charge)/income recognised in other comprehensive income statement	(19,592)	12,162
Transferred in from other group companies – note 10 (a)	(15,709)	-
Transferred to other group companies – note 10 (b)	4,776	-
Transferred in from other group companies – note 10 (c)	(9,808)	-
As at 31 December 2017	(1,329)	39,209

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

	2017 £'000	**2016 £'000**
Deferred tax liabilities:		
Accelerated depreciation for tax purposes	(876)	-
Trade intangibles	(14,365)	-
Rolled over gains	(1,341)	-
Assets not eligible for capital allowances	(4,948)	-
Deferred tax liabilities	(21,530)	-
Deferred tax assets		
Accelerated depreciation for tax purposes	-	510
Other timing differences	4,122	4,228
Capital losses	1,341	-
Share based payments	406	142
Pension	14,332	34,329
Deferred tax assets	20,201	39,209
Deferred tax liabilities	(21,530)	-
Deferred tax assets	20,201	39,209
Net deferred tax (liabilities)/assets	(1,329)	39,209

Unrecognised deferred tax asset on capital losses

The company has UK capital losses carried forward which are available indefinitely for offset against future capital gains. Deferred tax assets of £2,374,805 (2016 - £2,251,899) have not been recognised in respect of these losses as there is uncertainty over their recoverability.

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 £6,625,748 (2016 - £nil) have not been recognised in respect of these capital losses as there is uncertainty over their recoverability.

Unrecognised deferred tax asset estimated on future capital losses on assets held for sale

The company has potential UK capital tax losses on assets held for sale. Should these losses crystallise they will be available indefinitely for offset against future capital gains. Deferred tax assets of £104,955 (2016 - £nil) have not been recognised in respect of these capital losses as there is uncertainty over their recoverability.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

19. PROVISIONS FOR LIABILITIES

	Leasehold property provision (a) £'000	Newspaper society pension provision (b) £'000	Post retirement medical costs (c) £'000	Total £'000
Analysed as:				
- Current	40	84	6	130
- Non-current	-	1,294	47	1,341
At 26 December 2016	40	1,378	53	1,471
Utilised	(79)	(84)	(33)	(196)
Charge for period	190	101	(594)	(303)
Unwind of discount on provisions – note 7	41	39	16	96
Group restructuring additions – note 10 (a)	2,632	-	1,376	4,008
Group restructuring additions – note 10 (c)	2,865	-	130	2,995
Group restructuring disposals – note 10 (b)	(15)	-	(143)	(158)
Re-classification from accruals	100	-	-	100
At 31 December 2017	5,774	1,434	805	8,013
Analysed as:				
- Current	857	90	42	989
- Non-current	4,917	1,344	763	7,024
At 31 December 2017	5,774	1,434	805	8,013

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

(b) The company 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%).

Following the group restructuring the company assumed the liability of the Isle of Wight County Press Group Limited, Newsquest (Berkshire) Limited and NWN Media Limited to pay annually £1,326.80, £1,797.60 and £4,494.00 respectively on the same terms set out above for Newsquest Media Group Limited. The provision is the net present value of the annual commitment until 2038 discounted at 1.8%.

(c) 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
53 weeks ended 31 December 2017

20. CALLED UP SHARE CAPITAL

	2017 Number	2017 £'000	2016 Number	2016 £'000
Authorised				
Ordinary shares of $1 each	1,270	1	1,270	1
Deferred Ordinary shares of £1 each	200	-	200	-
Ordinary shares of £1 each	187,372,000	187,372	-	-
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
Called up, allotted and fully paid				
Ordinary shares of $1 each	-	-	1,270	1
Ordinary shares of £1 each	1	-	-	-
Deferred Ordinary shares of £1 each	-	-	127	-
1% First Cumulative Redeemable Preference shares of £1 each	-	-	325,000	325
1% Second Cumulative Redeemable Preference shares of £1 each	-	-	99,900	100
	1	-	426,297	426

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.

On 10 October 2017, a special resolution was passed to increase the share capital by £187,372,000 through a bonus issue of 187,372,000 ordinary shares of £1 each to the shareholder, Newsquest Capital Limited.

Following the completion of the above transaction, it was subsequently resolved on 10 October 2017 to reduce the share capital of the company by the cancellation 187,371,999 £1 ordinary shares, 1,270 $1 ordinary shares, 127 deferred £1 ordinary shares, 325,000 1% first cumulative redeemable preference shares of £1 each, 99,900 1% second cumulative redeemable preference shares of £1 each and transfer these amounts to distributable reserves.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

21. RESERVES

	Share capital £'000	Retained earnings £'000	Total £'000
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
Loss for the period	-	(213,305)	(213,305)
Bonus share issue – see note (a) below	187,372	(187,372)	-
Capital reduction – see note (b) below	(187,798)	187,798	-
Other comprehensive income	-	92,111	92,111
Share-based payment transactions (note 3)	-	1,423	1,423
Payment to ultimate parent in respect of shares exercised (note 3)	-	(515)	(515)
At 31 December 2017	-	102,287	102,287

Note (a): On 10 October 2017, a special resolution was passed to increase the share capital by £187,372,000 through a bonus issue of 187,372,000 ordinary shares of £1 each to the shareholder, Newsquest Capital Limited.

Note (b): Following the completion of the above transaction, it was subsequently resolved on 10 October 2017 to reduce the share capital of the company by the cancellation 187,371,999 £1 ordinary shares, 1,270 $1 ordinary shares, 127 deferred £1 ordinary shares, 325,000 1% first cumulative redeemable preference shares of £1 each, 99,900 1% second cumulative redeemable preference shares of £1 each and transfer these amounts to distributable reserves.

22. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

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

	Land and buildings		Other	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Within one year	2,691	107	3,502	2,900
Between two and five years	4,910	809	7,121	7,662
More than five years	2,421	-	-	375
	10,022	916	10,623	10,937

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

Capital commitments

At 31 December 2017 the company had £520,000 of capital commitments (2016 - £nil).

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

23. 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 £15,000,000 (2016 - £36,600,000) based on a 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 31 December 2017 in total were, therefore, £15m. 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 2017, the scheme held 37.7% (2016 – 33.3%) in passive equities within 4 different indexes, 31.5% (2016 – 25.7%) in UK indexed linked bonds; 22.0% (2016 – 19.4%) in property of which 14.0% (2016 – 12.3%) held in UK, 0.0% (2016 – 0.7%) in European property, 6.4% (2016 – 6.4%) in infrastructure and 1.6% (2016 – 0.0%) in loans secured against commercial real estate, 5.3% (2016 – 12.4%) in hedge funds and insurance linked securities and 3.5% (2016 – 9.2%) in cash.

The assets and liabilities of the schemes at 31 December 2017 and 25 December 2016 are:

Schemes assets at fair value

	2017	2016
	£ 000	£ 000
Equity securities	227,530	186,387
Debt securities	189,690	143,773
Real estate/property	132,737	108,698
Hedge funds	31,911	69,530
Cash and other	21,134	51,592
Total fair value of scheme assets	**603,002**	**559,980**
Present value of scheme liabilities	(679,988)	(758,511)
Defined benefit pension plan deficit	**(76,986)**	**(198,531)**

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

23. PENSIONS (CONTINUED)

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the 53 weeks ended 31 December 2017 are analysed as follows:

Recognised in the Income Statement

	2017 £ 000	2016 £ 000
Net finance cost	5,158	5,460

Taken to the Statement of Comprehensive Income

	2017 £ 000	2016 £ 000
Actuarial gain due to liability experience	21,995	-
Actuarial gain/(loss) arising from changes in pension liability	46,726	(135,903)
Return on plan assets (excluding amounts included in net interest expense)	42,982	62,981
Recognised in Statement of Comprehensive Income	111,703	(72,922)

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

	2017 £ 000	2016 £'000
Defined benefit obligation at 26 December 2016 and 28 December 2015	758,511	619,307
Interest on benefit obligation	20,203	23,156
Actuarial (gain)/loss	(68,721)	135,903
Benefits paid	(30,005)	(19,855)
Defined benefit obligation at 31 December 2017 and 26 December 2016	**679,988**	**758,511**

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

	2017 £ 000	2016 £ 000
Fair value of plan assets at 26 December 2016 and 28 December 2015	559,980	462,558
Interest income on plan assets	15,045	17,696
Return on plan assets greater than discount rate	42,982	62,981
Employer contributions	15,000	36,600
Benefits paid	(30,005)	(19,855)
Fair value of plan assets at 31 December 2017 and 26 December 2016	**603,002**	**559,980**

Analysis of financial assumptions:

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

	2017 %	2016 %
Discount rate	2.65	2.7
Price inflation	3.1	3.4
Pension increases for in-payment benefits	3.0	3.3
Pension increases for deferred benefits	3.0	3.3
Future life expectancy for a pensioner currently aged 65		
- Male	21.1	21.0
- Female	23.3	23.4
Future life expectancy from age 65 for a pensioner who retires in 15 years and is currently aged 50		
- Male	21.8	22.0
- Female	24.3	24.6

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

23. 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	+10.3%
Inflation assumption - 0.5% increase	+9.9%
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 20.1 years (2016: 21.4 years). Expected benefits payable are as follows:

	£'000
Year ended December 2018	30,963
Year ended December 2019	31,923
Year ended December 2020	32,913
Year ended December 2021	33,933
Year ended December 2022	34,985
Year ended December 2023 to 31 December 2027	191,882

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.

Included in wages and salaries in the income statement is a total expense for these employee share options of £nil (2016 - £nil). Recharges for the intrinsic value of options exercised in 2017 of £20,000 (2016 - £68,000) have been taken directly to reserves.

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

	2017 No.	**2017 WAEP**	**2016 No.**	**2016 WAEP**
Outstanding at 26 December 2016 and 28 December 2015	12,756	$5.45	44,655	$7.11
Forfeited during the year	-	-	(20,546)	$9.23
Exercised[1]	(5,394)	$4.99	(11,353)	$5.13
Transferred from fellow subsidiaries on acquisition	1,866	$5.22	-	-
Outstanding at 31 December 2017 and 25 December 2016[2]	9,228	$5.67	12,756	$5.45
Exercisable at 31 December 2017 and 25 December 2016	9,228	$5.67	12,756	$5.45

[1] The weighted average share price at the date of exercise for the options exercised is $8.43 (2016 - $13.03).

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

24. SHARE-BASED PAYMENTS (CONTINUED)

Employee Share Option Plan (continued)

2 For the share options outstanding at 31 December 2017, the weighted average remaining contractual life is 1.16 years (2016: 1.92 years).

The range of exercise prices for options outstanding at the end 2017 was $5.52 - $5.71 (2016 - $4.63 - $5.71).

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.

Included in wages and salaries in the income statement is a total expense for these employee share options of £1,000 (2016 - £393,000). Recharges for the intrinsic value of options exercised in 2017 of £2,000 (2016 - £238,000) have been taken directly to reserves.

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.

	2017 No.	2017 WASP*	2016 No.	2016 WASP*
Outstanding at 26 December 2016 and 28 December 2015	108	$15.37	283	$10.33
Transferred from fellow subsidiaries on acquisition	215	$15.37	-	-
Forfeited during the year	(108)	$15.37	-	-
Settled[1]	(215)	$15.37	(175)	$7.23
Outstanding at 31 December 2017 and 25 December 2016	-	-	108	$15.37

*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 The weighted average share price at the date of settlement was $9.09 (2016 - $12.06).

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.

Included in wages and salaries in the income statement is a total expense for these employee share options of £804,000 (2016 - £393,000). Recharges for the intrinsic value of options exercised in 2017 of £427,000 (2016 - £238,000) have been taken directly to reserves.

	2017 No.	2017 WASP*	2016 No.	2016 WASP*
Outstanding at 26 December 2016 and 28 December 2015	124,442	$13.00	105,310	$10.47
Granted during the year[2]	177,515	$9.71	54,440	$16.29
Forfeited during the year	(23,277)	$12.48	(12,642)	$12.57
Settled[1]	(53,578)	$12.86	(22,666)	$9.39
Transferred from fellow subsidiary	220,203	$12.33	-	-
Outstanding at 31 December 2017 and 25 December 2016	445,305	$11.40	124,442	$13.00

*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 $9.53 (2016 $14.41).

2 The weighted average fair value of Restricted stock granted in 2017 was $8.14 (2016 - $14.75).

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53 weeks ended 31 December 2017

24. 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.

Included in wages and salaries in the income statement is a total expense for these employee share options of £618,000 (2016 - £206,000). Recharges for the intrinsic value of options exercised in 2017 of £66,000 (2016 - £238,000) have been taken directly to reserves.

	2017 No.	2017 WASP*	2016 No.	2016 WASP*
Outstanding at 26 December 2016 and 28 December 2015	50,500	$15.68	46,839	$14.71
Granted during the year[2]	38,882	$9.71	20,829	$16.29
Forfeited	8,904	$15.95	(3,418)	$15.17
Settled[1]	(5,126)	$24.87	(13,750)	$13.41
Outstanding at 31 December 2017 and 25 December 2016	93,160	$12.71	50,500	$15.68

*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 $9.73 (2016 $14.84).

[2] The weighted average fair value of Performance shares granted in 2017 was $10.86 (2016 - $19.30).

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 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 16 and 17 respectively.

Directors' emoluments are disclosed in note 4 and matters relating to the Newsquest Pension Scheme in note 23.

26. POST BALANCE SHEET EVENT

On 12 March 2018 the company acquired the share capital of the CN Group of companies for cash consideration of £3.425m. The group has operations in North Lancashire, Cumbria, Northumberland, Dumfries and Galloway. Consolidated turnover for CN Group Limited for the year to 31 December 2017 was £19.6m and operating profit £1.1m.

After the acquisition the assets and liabilities of the CN Group Pension Fund and the CN Group Supplementary Pension Fund were transferred to be separate sections of the Newsquest Pension Scheme.

With effect from 1 July 2018 the Company reached agreement with the Newsquest Pension Trustee that annual increases in pension benefits will be with reference to CPI rather than RPI in all sections of the Newsquest Pension Scheme. This has the effect of turning the accounting pension deficit into a surplus. A new schedule of contributions was also agreed with the Trustees, increasing company contributions to the Pension Scheme.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

27. 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 smallest and 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.