Company Registration No. 3102787

# NEWSQUEST (ESSEX) LIMITED

## Directors' Report and Financial Statements
## for the 52 weeks ended 30 December 2007

# REPORT AND FINANCIAL STATEMENTS 2007

## CONTENTS

## DIRECTORS' REPORT

The dırectors present theır report and the audıted financıal statements for the 52 weeks ended 30 December 2007

### PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The company's prıncıpal actıvıty contınues to be that of publıshıng and prıntıng local news and ınformatıon

The company's key financıal and other performance ındıcators durıng the financıal perıod were as follows

| | *2007 | *2006 | *Change* |
|---|---|---|---|
| | £'000 | £'000 | % |
| Turnover | 39,050 | 40,288 | (3 1%) |
| Operatıng profit | 8,496 | 6,693 | 26 9% |
| Operatıng margın | 21 8% | 16 6% | 5 2pts |

*The profit and loss accounts cover the 52 weeks from 1 January 2007 to 30 December 2007 and the 53 weeks from 26 December 2005 to 31 December 2006

Turnover represents revenue generated from the company's prıncıpal actıvıty In partıcular, newspaper advertısıng revenues from motors, leaflet revenue and cırculatıon revenues declıned ın the year These outweıghed growth ın ınternet and other revenues As a result ın 2007 turnover decreased by 3 1% The dırectors expect future growth ın revenue from the ınternet In 2007 dıgıtal revenues ıncreased by 25 4%

Durıng the year there was a serıes of cost reductıon and restructurıng of processes to mıtıgate the ımpact of the declıne ın revenue

### PRINCIPAL RISKS AND UNCERTAINTIES

The company operates ın a competıtıve and dynamıc envıronment where maıntaınıng and developıng the ınterest of the audıence ıs crıtıcal to ıts commercıal success ın attractıng advertısers and readers Competıng newspapers and alternatıve medıa ıncludıng the ınternet ımpact the company's abılıty to grow revenues

The company manages thıs competıtıve rısk by contınually seekıng to ensure ıts products meet the needs of the communıtıes they serve and ınvestıng ın ınternet based servıces Thıs ınvestment ın dıgıtal medıa by the company ıs creatıng promısıng opportunıtıes for revenue generatıon

The company ıs also exposed to the general economıc condıtıons that affect ıts advertısers and readers, partıcularly ın the property, motors and employment markets The company's profitabılıty ıs also affected by labour and benefit costs, the maın operatıng costs of the company, along wıth newsprınt prıces The abılıty of the company to flex these costs ın lıne wıth revenues ın the short term ıs lımıted

The rısks and uncertaıntıes facıng the company are lınked to those of ıts fellow subsıdıarıes ın the UK The current results reflect the benefits arısıng from the relatıonshıp wıth fellow subsıdıarıes ın terms of financıng, purchasıng effıcıency, dısaster recovery and ınformatıon technology

### RESULTS AND DIVIDENDS

The profit for the perıod after taxatıon amounted to £5,503,000 (2006 - £3,233,000)

No ınterım dıvıdends were paıd ın the perıod (2006 - £15,000,000) The dırectors do not recommend a final dıvıdend (2006 - £nıl)

### DIRECTORS AND THEIR INTERESTS

The dırectors who served durıng the perıod are lısted below

P Davıdson
P Hunter

None of the dırectors had any ınterest ın the shares of the company

### DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The group maıntaıns Dırector's and Officer's lıabılıty ınsurance for the dırectors durıng the course of theır employment The ınsurance wıll cover the dırectors' legal costs ıncurred ın defendıng any proceedıngs brought by thırd partıes, subject to the condıtıons set out ın the Companıes Act 1985 Such qualıfyıng thırd party ındemnıty provısıon remaıns ın place as at the date of approvıng the dırectors' report

# DIRECTORS' REPORT

## POLITICAL AND CHARITABLE CONTRIBUTIONS

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

## EMPLOYEE PARTICIPATION AND THE ENVIRONMENT

Employee participation processes have continued throughout the period Such processes are undertaken on a regional basis, and include consultation with staff via elected representatives on a Staff Council, the publication of regular newsletters and the regular meetings of directors and senior managers with staff throughout the period

The company is conscious of the importance of good environmental practices and aims for an on-going improvement in the company's environmental performance and to comply with all relevant regulations In 2007 the actual recycled content of newsprint used in the production of newspapers by the industry was 79 0%

## DISABLED PERSONS

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

## DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP)

Company law requires the directors to prepare such financial statements for each financial period which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985 In preparing those financial statements, the directors confirm they have

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that are reasonable and prudent,
- stated whether applicable accounting standards have been followed,
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

## DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the Board at the time of approving the directors' report are listed on page 1 Having made enquires of fellow directors and of the company's auditors, each of these directors confirm that

- to the best of each directors' knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

## AUDITORS

In accordance with the provisions of Section 386 of the Companies Act 1985, the company has dispensed with the obligation to appoint auditors annually

This report was approved by the Board on 9 June 2008 and signed on its behalf

N Carpenter
Joint Company Secretary

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWSQUEST (ESSEX) LIMITED

We have audited the company's financial statements for the 52 weeks ended 30 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 December 2007 and of its profit for the 52 weeks then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

Date 13/6/08

## PROFIT AND LOSS ACCOUNT
## 52 weeks ended 30 December 2007 (note 1)

| | Note | 52 weeks ended 30 December 2007 £'000 | 53 weeks ended 31 December 2006 £'000 |
|---|---|---|---|
| **TURNOVER** | 1, 2 | 39,050 | 40,288 |
| Cost of sales | | (10,805) | (11,684) |
| **GROSS PROFIT** | | 28,245 | 28,604 |
| Operating expenses | 3 | (19,749) | (21,911) |
| **OPERATING PROFIT** | 4 | 8,496 | 6,693 |
| Profit on disposal of land and buildings | | 218 | 135 |
| Interest receivable | 6 | 217 | 441 |
| Interest payable | 7 | (292) | (348) |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | 8,639 | 6,921 |
| Tax charge on profit on ordinary activities | 8 | (3,136) | (3,688) |
| **PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION** | 17 | 5,503 | 3,233 |

All the above transactions relate to continuing operations

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
## For the 52 weeks ended 30 December 2007

| | 52 weeks ended 30 December 2007 £'000 | 53 weeks ended 31 December 2006 £'000 |
|---|---|---|
| **PROFIT FOR THE FINANCIAL PERIOD AND TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD** | 5,503 | 3,233 |
| Prior year adjustment (see below) | - | (224) |
| **TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL REPORT** | 5,503 | 3,009 |

The prior year adjustment of £224,000 relates to the implementation of FRS 20, accounting for share-based payments

## BALANCE SHEET
## 30 December 2007 (note 1)

| | Note | £'000 | 2007 £'000 | £'000 | 2006 £'000 |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Intangible assets | 9 | | 40,982 | | 40,982 |
| Tangible fixed assets | 10 | | 5,977 | | 6,484 |
| Investments | 11 | | 30,000 | | 30,000 |
| | | | 76,959 | | 77,466 |
| **CURRENT ASSETS** | | | | | |
| Cash at bank and in hand | | 11 | | - | |
| Stocks | 12 | 134 | | 135 | |
| Debtors | 13 | 8,025 | | 6,642 | |
| | | 8,170 | | 6,777 | |
| **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR** | 14 | (40,105) | | (44,835) | |
| **NET CURRENT LIABILITIES** | | | (31,935) | | (38,058) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 45,024 | | 39,408 |
| **PROVISIONS FOR LIABILITIES** | 15 | | (1,047) | | (865) |
| **NET ASSETS** | | | 43,977 | | 38,543 |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 16 | | 1 | | 1 |
| Share premium account | 17 | | 35,999 | | 35,999 |
| Profit and loss account | 17 | | 7,977 | | 2,543 |
| **SHAREHOLDERS' FUNDS** | 17 | | 43,977 | | 38,543 |

The financial statements on pages 4 to 16 were approved by the Board on 9 June 2008 and signed on its behalf

P Hunter
Director

# NOTES TO THE ACCOUNTS
## 52 weeks ended 30 December 2007

1. ACCOUNTING POLICIES

**Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom

**Accounting period**

The profit and loss accounts cover the 52 weeks from 1 January 2007 to 30 December 2007 and 53 weeks from 26 December 2005 to 31 December 2006 The balance sheets for 2007 and 2006 have been drawn up at 30 December 2007 and 31 December 2006 respectively

**Turnover**

Turnover represents the invoiced value of sales, excluding Value Added Tax Advertising revenues are recognised upon publication of the relevant newspaper Circulation revenues, for paid-for newspapers, are recognised upon publication Other revenue including digital revenue is recognised on publication or provision of service Revenues from barter transactions are recognised when the advertisements are displayed and are recorded at the fair value of goods or services received, in accordance with UITF Abstract 26, 'Barter Transactions for Advertising '

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation No depreciation is provided on land and assets in the course of construction Freehold buildings and plant and equipment are depreciated over their estimated useful lives on the following bases

| | | |
|---|---|---|
| Freehold buildings | - | 2% straight line basis |
| Plant and equipment | - | 4% - 50% straight line basis |

Short leases are written off over the duration of the lease

The carrying value of tangible fixed assets are reviewed for impairment, if events or changes in circumstances indicate the carrying value may not be recoverable

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalized in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives

**Intangible fixed assets**

Internally developed intangibles are not carried on the balance sheet Intangible fixed assets represent publishing rights, which are stated at fair value on acquisition Intangible fixed assets are not subsequently revalued

The directors believe that the company's publishing rights have no finite life and consequently the rights are not amortised

Intangible assets are reviewed for impairment annually, and provision is made for any impairment in value where the recoverable amount is calculated to be below the carrying value The recoverable amount is the higher of the fair value less selling costs and the value in use Value in use 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

**Investments**

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

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

**Stocks**

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

# NOTES TO THE ACCOUNTS
## 52 weeks ended 30 December 2007

1. ACCOUNTING POLICIES (CONTINUED)

**Deferred taxation**

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date, calculated at the rate at which it is expected the tax will arise in accordance with FRS 19 "Deferred Tax" Deferred taxation balances are not discounted

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

**Leasehold property**

A provision is made at the balance sheet date for property dilapidations and for the net present value of net future costs on surplus vacant leased property

**Pensions**

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

In respect of the defined benefit pension scheme, the Newsquest Pension Scheme ("the Scheme"), pension costs are assessed in accordance with the advice of qualified independent actuaries Charges to the profit and loss account for group subsidiaries that participate in the scheme are allocated to the company by the principal employer of the Scheme, Newsquest Media Group Limited, based upon contributions by the principal employer and the pensionable salaries of the company's employees

In accordance with FRS17, the company has accounted for its contributions to the defined benefit scheme as if it were a defined benefit contribution scheme as it is not possible to separately identify the company's share of the assets and liabilities in the defined benefit scheme Refer to note 19 for further details

In respect of the defined contribution pension scheme, contributions are charged to the profit and loss account for the year in which they are payable to the scheme Differences between contributions payable and contributions actually paid in the year are shown as either accruals or prepayments at the year end

**Goodwill**

On the acquisition of a business, the purchase consideration is allocated between the underlying net tangible and intangible assets on a fair value basis Goodwill on acquisitions after 1 January 1998 is included on the balance sheet and amortised over its expected useful economic life, up to a maximum of 20 years

Goodwill on acquisitions prior to 1 January 1998 has been written off against profit and loss reserve as a matter of accounting policy This goodwill will be charged to the profit and loss account in the event of the disposal of the business to which it relates (note 17)

**Operating leases**

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

**Group accounts and cash flow statement**

The company, as it is a wholly owned subsidiary itself, is not required to prepare group accounts under Section 228 of the Companies Act 1985 because its parent undertaking is established under the law of a member state of the EU Accordingly the financial statements present information about the company rather than the group as a whole A cash flow statement is not required under Financial Reporting Standard 1 (revised), as the company is a wholly owned subsidiary and the group's financial statements are publicly available (note 22)

**Post retirement medical costs**

Certain employees benefit from contracts entitling them to post retirement medical benefits The costs of post retirement medical benefits are provided for by discounting the expected future costs

# NOTES TO THE ACCOUNTS
## 52 weeks ended 30 December 2007

1. **ACCOUNTING POLICIES (CONTINUED)**

**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, provided that all other performance conditions are satisfied

At each balance sheet date before vesting, the cumulative expense is calculated with reference to the vesting period expired The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry to reserves

Recharges from the company's ultimate parent undertaking for the intrinsic value of the option on exercise, that is the difference between the market value on exercise and the option price is taken directly to the profit and loss reserve

The company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before the date of implementation by this company, 26 December 2005

For awards granted before 7 November 2002, the company recognises only the intrinsic value or cost of these potential awards as an expense This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards

2. **TURNOVER**

The whole of the turnover is attributable to the one principal activity of the company being publishing and printing local news and information, and arises in the United Kingdom

3. **OPERATING EXPENSES**

| | 52 weeks ended 30 December 2007 £'000 | 53 weeks ended 31 December 2006 £'000 |
|---|---|---|
| Selling and distribution costs | 5,964 | 6,621 |
| Administrative expenses | 13,785 | 15,290 |
| | 19,749 | 21,911 |

4. **OPERATING PROFIT**

The operating profit is stated after charging/(crediting)

| | 52 weeks ended 30 December 2007 £'000 | 53 weeks ended 31 December 2006 £'000 |
|---|---|---|
| Depreciation of tangible fixed assets | | |
| - owned by the company | 1,205 | 1,224 |
| - held under finance leases | 8 | - |
| Operating lease rentals | | |
| - land and buildings | 526 | 530 |
| Management charge | 486 | 527 |
| Profit on disposals of fixed assets | (6) | (34) |

Recharges for audit services for the entire Gannett U K Limited group totalling £260,000 (2006 - £252,000) were borne by Newsquest Media Group Limited in the current and prior period The company has paid its allocation of the audit fees through the management charge

# NOTES TO THE ACCOUNTS
## 52 weeks ended 30 December 2007

### 5. STAFF COSTS

Staff costs were as follows

| | 52 weeks ended 30 December 2007 £'000 | 53 weeks ended 31 December 2006 £'000 |
|---|---|---|
| Wages and salaries | 15,278 | 16,379 |
| Social security costs | 982 | 1,093 |
| Other pension costs | 624 | 374 |
| | 16,884 | 17,846 |

Included in wages and salaries is a total credit for share-based payments of £69,000 (2006 - £39,000 expense), all of which arises from transactions accounted for as equity-settled share-based payment transactions

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

| | No. | No. |
|---|---|---|
| Pre-press | 68 | 79 |
| Printing | 64 | 65 |
| Editorial | 147 | 159 |
| Marketing and sales | 165 | 186 |
| Distribution | 142 | 156 |
| Finance and management | 41 | 45 |
| | 627 | 690 |

Staff are employed under contracts of employment with fellow subsidiaries

There are also 2,715 (2006 – 2,868) people involved in distribution who work limited hours to deliver the group's products The costs of these people are included in staff costs above

Directors' remuneration in 2007 was £nil (2006 - £nil) All emoluments and pension payments made by related companies to directors are dealt with in the accounts of Newsquest Media Group Limited

### 6. INTEREST RECEIVABLE

| | 52 weeks ended 30 December 2007 £'000 | 53 weeks ended 31 December 2006 £'000 |
|---|---|---|
| Interest receivable from group undertakings | 217 | 441 |

### 7. INTEREST PAYABLE

| | 52 weeks ended 30 December 2007 £'000 | 53 weeks ended 31 December 2006 £'000 |
|---|---|---|
| Interest payable to group undertakings | 256 | 313 |
| Unwind of discount on provisions | 36 | 35 |
| | 292 | 348 |

## NOTES TO THE ACCOUNTS
### 52 weeks ended 30 December 2007

### 8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

| **Analysis of charge in the period:** | **52 weeks ended 30 December 2007 £'000** | **53 weeks ended 31 December 2006 £'000** |
|---|---|---|
| Current tax | | |
| UK Corporation tax at 30% (2006 – 30%) | 2,579 | 1,413 |
| Adjustment in respect of prior periods | 519 | 2,194 |
| Total current tax (see below) | 3,098 | 3,607 |
| Deferred taxation | | |
| Origination and reversal of timing differences | (66) | 111 |
| Adjustment in respect of prior periods | 108 | (30) |
| Change in the rate of corporation tax | (4) | - |
| | 3,136 | 3,688 |

The tax charge for the period is higher than the standard rate of corporation tax in the UK (30%) The differences are explained below

| **Analysis of charge in the period:** | **2007 £'000** | **2006 £'000** |
|---|---|---|
| Profit on ordinary activities before taxation | 8,639 | 6,921 |
| Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2006 - 30%) | 2,592 | 2,076 |
| Expenses not deductible for tax purposes | 76 | 24 |
| Capital allowances for period in excess of depreciation | (24) | (107) |
| Utilisation of tax losses | - | (540) |
| Capital gains rolled over/losses utilised | (65) | (40) |
| Adjustments to tax charge in respect of previous periods | 519 | 2,194 |
| | 3,098 | 3,607 |

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

The UK corporation tax rate will decrease from 30% to 28% from 1 April 2008 This rate change will affect the amount of future cash tax payments to be made by the company The deferred tax balance has been adjusted in the current year to reflect this change Changes to the UK capital allowance regime will also impact the capital allowances the company can claim.

### 9. INTANGIBLE ASSETS

| | **Publishing rights £'000** |
|---|---|
| **Cost and net book value** | |
| At 30 December 2007 and 31 December 2006 | 40,982 |

# NOTES TO THE ACCOUNTS
## 52 weeks ended 30 December 2007

### 10. TANGIBLE FIXED ASSETS

| | Land and buildings £'000 | Plant and equipment £'000 | Construction in progress £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2007 | 1,708 | 15,884 | 21 | 17,613 |
| Additions | 56 | 804 | - | 860 |
| Disposals | (52) | (536) | - | (588) |
| Reclassification | 15 | 6 | (21) | - |
| Transfer to group companies | - | (13) | - | (13) |
| At 30 December 2007 | 1,727 | 16,145 | - | 17,872 |
| **Depreciation** | | | | |
| At 1 January 2007 | 569 | 10,560 | - | 11,129 |
| Charge for period | 49 | 1,164 | - | 1,213 |
| Disposals | (34) | (409) | - | (443) |
| Transfer to group companies | - | (4) | - | (4) |
| At 30 December 2007 | 584 | 11,311 | - | 11,895 |
| **Net book value** | | | | |
| At 30 December 2007 | 1,143 | 4,834 | - | 5,977 |
| At 31 December 2006 | 1,139 | 5,324 | 21 | 6,484 |

Included within land and buildings are short leaseholds with a net book value of £269,000 (2006 - £283,000) and freeholds with a net book value of £874,000 (2006 - £856,000), within which is freehold land with a net book value of £455,000 (2006 - £455,000) Also, included within plant and equipment are leased assets with a net book value of £136,000 (2006 - £nil)

### 11. INVESTMENTS

| | Shares in subsidiary undertakings £'000 |
|---|---|
| **Cost and net book value** | |
| At 30 December 2007 and 31 December 2006 | 30,000 |

The shares are unlisted investments and constitute the entire issued share capital of Newsquest (Basildon) Limited, which does not trade

### 12. STOCKS

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Raw materials | 134 | 135 |

### 13. DEBTORS

| | 2007 £'000 | 2006 £'000 |
|---|---|---|
| **Amounts falling due within one year** | | |
| Trade debtors | 5,626 | 5,484 |
| Amounts owed by group undertakings | 1,032 | 46 |
| Other debtors | 150 | 149 |
| Prepayments and accrued income | 1,217 | 963 |
| | 8,025 | 6,642 |

# NOTES TO THE ACCOUNTS
## 52 weeks ended 30 December 2007

### 14. CREDITORS

| | 2007<br>£'000 | 2006<br>£'000 |
|---|---|---|
| **Amounts falling due within one year** | | |
| Bank overdraft | - | 70 |
| Trade creditors | 236 | 267 |
| Amounts owed to group undertakings | 32,941 | 38,726 |
| Corporation tax | 2,579 | 1,413 |
| Other taxation and social security | 1,758 | 1,911 |
| Other creditors | 215 | 153 |
| Accruals and deferred income | 2,376 | 2,295 |
| | 40,105 | 44,835 |

### 15. PROVISIONS FOR LIABILITIES

| | Deferred tax<br>£'000 | Post retirement medical costs<br>£'000 | Leasehold property provision<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|
| At 1 January 2007 | 66 | 494 | 305 | 865 |
| Charge/(credit) for the period | 38 | (149) | 324 | 213 |
| Utilisation | - | (18) | (49) | (67) |
| Unwind of discount on provisions | - | 21 | 15 | 36 |
| At 30 December 2007 | 104 | 348 | 595 | 1,047 |

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

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

The amounts of provided deferred taxation can be analysed as follows

| | Provided<br>2007<br>£'000 | 2006<br>£'000 |
|---|---|---|
| Capital allowances in excess of depreciation | 334 | 219 |
| Other timing differences | (230) | (153) |
| | 104 | 66 |

No provision is made for tax which would become payable on the sale of intangible assets at the stated amounts as there is no present intention to sell these intangible assets There is no other unprovided deferred tax

### 16. CALLED UP SHARE CAPITAL

| | 2007<br>£ | 2006<br>£ |
|---|---|---|
| **Authorised:** | | |
| 1,000 ordinary shares of £1 each | 1,000 | 1,000 |
| **Allotted, called up and fully paid:** | | |
| 753 ordinary shares of £1 each | 753 | 753 |

# NOTES TO THE ACCOUNTS
## 52 weeks ended 30 December 2007

### 17 RESERVES AND RECONCILIATION OF SHAREHOLDERS' FUNDS

| | Share capital £'000 | Share premium £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|---|---|---|
| At 26 December 2005 | 1 | 35,999 | 14,271 | 50,271 |
| Profit for the period | - | - | 3,233 | 3,233 |
| Dividends declared and paid | - | - | (15,000) | (15,000) |
| Share-based payment | - | - | 39 | 39 |
| At 31 December 2006 | 1 | 35,999 | 2,543 | 38,543 |
| Profit for the period | - | - | 5,503 | 5,503 |
| Share-based payment | - | - | (69) | (69) |
| At 30 December 2007 | 1 | 35,999 | 7,977 | 43,977 |

**Profit and loss account**

Included in the profit and loss account reserve is £9,309,000 (2006 - £9,309,000) of goodwill written off as a matter of accounting policy This goodwill would be charged to the profit and loss account on the subsequent disposal of the business to which it relates

### 18. OTHER COMMITMENTS

At 30 December 2007 the company had annual commitments under non-cancellable operating leases as follows

| | Land and buildings 2007 £'000 | Land and buildings 2006 £'000 |
|---|---|---|
| **Expiry date** | | |
| Within one year | 10 | 8 |
| Between two and five years | 321 | 285 |
| In more than five years | 139 | 208 |

At 30 December 2007 the company had capital commitments of £93,000 (2006 - £287,000)

### 19. PENSIONS

The company is a member of the Newsquest Pension Scheme ("the Scheme"), which is a funded defined benefit scheme Details of the scheme, including particulars of the latest actuarial valuation, the existence of a surplus or deficit in the group and its effect on future contribution rates by the company, can be found in the financial statements of Gannett U K Limited

The contributions made by the group into the Scheme are assessed in accordance with the advice of a qualified independent actuary The pension costs in these accounts of £585,000 (2006 - £371,000) are paid to the principal employer of the Newsquest Pension Scheme, Newsquest Media Group Limited, to fund its contributions to the Scheme The allocation of this cost to the company is based on pensionable salaries

The company also participates in a defined contribution pension scheme on behalf of its employees The assets of the scheme are held separately from those of the company in an independently administered fund The costs for the year under this scheme were £39,000 (2006 - £3,000)

### 20. 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

# NOTES TO THE ACCOUNTS
## 52 weeks ended 30 December 2007

### 20. SHARE-BASED PAYMENTS (CONTINUED)

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

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

| | 2007 No. | 2007 WAEP | 2006 No. | 2006 WAEP |
|---|---|---|---|---|
| Outstanding as at 1 January 2007[1] | 45,688 | $69 55 | 81,696 | $72 41 |
| Granted during the year | 6,000 | $35 84 | 11,325 | $59 96 |
| Forfeited during the year | (9,600) | $69 63 | (45,883) | $72 75 |
| Exercised | - | | (1,450) | $54 64[2] |
| Transferred to fellow subsidiaries | (6,200) | $80 90 | - | |
| Outstanding at 30 December 2007[1] | 35,888 | $61 93 | 45,688 | $69 55 |
| Exercisable at 30 December 2007 | 19,969 | $70 73 | 29,901 | $74 56 |

[1] Included within this balance are options over 6,463 (2006 9,463) shares that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002 These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20

[2] The weighted average share price at the date of exercise for the options exercised is $60 37

For the share options outstanding at 30 December 2007, the weighted average contractual life is 5 29 years (2006 5 58 years)

The weighted average fair value of options granted during the year was $3 80 (2006 - $11 53) The range of exercise prices for options outstanding at the end of 2007 was $35 84 - $87 33 (2006 $54 31 - $87 33)

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black Scholes model, taking into account the terms and conditions upon which the options were granted The following table lists the inputs to the model for the years ended 30 December 2007 and 31 December 2006

| | 2007 | 2006 |
|---|---|---|
| Dividend yield (%) | 4 20% | 2 07% |
| Expected share price volatility (%) | 16 77% | 19 24% |
| Risk-free interest rate (%) | 3 51% | 4 53% |
| Expected life of options (years) | 4 5 | 4 5 |
| Weighted average share price | $35 84 | $59 96 |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome

No other features of options granted were incorporated into the measurement of fair value

**Chairman's Award Scheme**

Out of the 2001 Omnibus Incentive Compensation Plan discretionary shares have been awarded to certain employees Title to the shares passes to the employee on expiration of the four year incentive period provided that the employee remains in service with the group During the incentive period the employee is entitled to receive an amount equal to the cash dividend Gannett Co , Inc would have paid had the employee actually owned the shares

# NOTES TO THE ACCOUNTS
## 52 weeks ended 30 December 2007

### 20. SHARE-BASED PAYMENTS (CONTINUED)

The followmg table illustrates the number and weighted average exercise pnces (WAEP) of, and movements in, the share options dunng the year

| | 2007 No. | 2007 WAEP |
|---|---|---|
| Outstanding as at 1 January 2007 | - | |
| Granted during the year | 250 | $49 09 |
| Outstanding at 30 December 2007 | 250 | $49 09 |

**Restricted stock**

Restncted stock are discretionary shares awarded to certain individuals out of the 2001 Omibus Incentive Compensation Plan Each share awarded entitles the employee to receive one share of Gannett Co , Inc 's common stock on the expiration of the incentive period which is 7 December 2011 for grants in 2007

| | 2007 No. | 2007 WAEP |
|---|---|---|
| Outstanding as at 1 January 2007 | - | |
| Granted during the year | 2,450 | $35 84 |
| Outstanding at 30 December 2007 | 2,450 | $35 84 |

**Savings Related Share Option Scheme ('ShareSave Plan')**

The company participates in the Group's savings related share option scheme Under the ShareSave Plan, employees were granted options to purchase shares at the end of a 3 year savings period, at a price of £47 20 ($86 85) per share Although the scheme matured at the end of August 2007, employees retain the right to use their savings to exercise their option over the shares for six months after the date of maturity

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

| | 2007 No. | 2007 WAEP | 2006 No. | 2006 WAEP |
|---|---|---|---|---|
| Outstanding as at 1 January 2007 | 6,935 | $86 85 | 9,066 | $86 85 |
| Forfeited during the year | (1,392) | $86 85 | (2,131) | $86 85 |
| Outstanding at 30 December 2007 | 5,543 | $86 85 | 6,935 | $86 85 |

The fair value of equity-settled share options granted is based on the closing share price at the time of the ShareSave launch, taking into account the terms and conditions upon which the options were granted The following table lists the inputs to the model for the current ShareSave scheme, which commenced on 15 July 2004

| | 2007 | 2006 |
|---|---|---|
| Dividend yield (%) | 1 33% | 1 33% |
| Expected share price volatility (%) | 19 16% | 19 16% |
| Risk-free interest rate (%) | 3 83% | 3 83% |
| Expected life of options (years) | 7 | 7 |
| Weighted average share price | $86 85 | $86 85 |

# NOTES TO THE ACCOUNTS
## 52 weeks ended 30 December 2007

### 20. SHARE-BASED PAYMENTS (CONTINUED)

The expected lıfe of the optıons ıs based on hıstorıcal data and ıs not necessarıly ındıcatıve of exercıse patterns that may occur The expected volatılıty reflects the assumptıon that the hıstorıcal volatılıty ıs ındıcatıve of future trends, whıch may also not necessarıly be the actual outcome

No other features of optıons granted were ıncorporated ınto the measurement of faır value

### 21. RELATED PARTIES

The company ıs a wholly owned subsıdıary ıncluded ın the consolıdated financıal statements of ıts ultımate parent company These financıal statements are publıcly avaılable, therefore, the company has taken advantage of the exemptıon ın Fınancıal Reportıng Standard 8 from dısclosure of transactıons wıth entıtıes that are part of the group or ınvestees of the group qualıfyıng as related partıes

### 22 ULTIMATE PARENT COMPANY

The company's ultımate parent and controllıng company ıs Gannett Co , Inc , a company ıncorporated ın the Unıted States of Amerıca The controllıng company of the Newsquest group of companıes ın the Unıted Kıngdom ıs Gannett U K Lımıted, a company ıncorporated ın Great Brıtaın and regıstered ın England and Wales The consolıdated financıal statements of Gannett Co , Inc and Gannett U K Lımıted comprıse respectıvely the largest and smallest groups of whıch the company ıs a member that prepare consolıdated financıal statements The annual report and consolıdated financıal statements of Gannett Co , Inc can be obtaıned from the Secretary, Gannett Co , Inc , 7950 Jones Branch Drıve, McLean, Vırgınıa 22107 The annual report and consolıdated financıal statements of Gannett U K Lımıted can be obtaıned from Companıes House, Crown Way, Maındy, Cardıff, CF4 3UZ