Company Registration No. 3102787

NEWSQUEST (ESSEX) LIMITED

Directors' Report and Financial Statements
for the 52 weeks ended 30 December 2001

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REPORT AND FINANCIAL STATEMENTS 2001

CONTENTS

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 52 weeks ended 30 December 2001.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The company's principal activity continues to be that of publishing newspapers.

The directors are satisfied with the performance of the company and expect this to continue in the future.

On 30 December 2001 the company acquired the trade, assets and liabilities of Newsquest Printing (Colchester) Limited.

RESULTS AND DIVIDENDS

The profit for the period after taxation amounted to £7,727,000 (2000 - £7,689,000).

Interim dividends of £3,337,000 (2000 - £2,577,000) were paid in the period.

The directors do not recommend a final dividend (2000 - £nil).

DIRECTORS

The directors who served during the period are listed below.

J T Brown	
I W Aiken	(resigned 7 April 2002)
P Davidson	
P Hunter	(appointed 2 July 2001)
J C Pfeil	(resigned 2 July 2001)
P A Radburn	

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

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.

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.

AUDITORS

The auditors, PricewaterhouseCoopers, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the Board on 20 September 2002 and signed on its behalf.

Paul Hunt

P Hunter
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- 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 proper accounting records which 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 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.

INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF NEWSQUEST (ESSEX) LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the company's affairs at 30 December 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH
20 September 2002

PROFIT AND LOSS ACCOUNT
52 weeks ended 30 December 2001 (note 1)

	Note	2001 £'000	2000 £'000
TURNOVER	1,2	37,933	36,216
Cost of sales		(12,714)	(12,154)
GROSS PROFIT		25,219	24,062
Operating expenses	3	(16,659)	(16,136)
OPERATING PROFIT	4	8,560	7,926
Interest payable	6	(1)	(7)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,559	7,919
Tax charge on profit on ordinary activities	7	(832)	(230)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		7,727	7,689
Dividends	8	(3,337)	(2,577)
RETAINED PROFIT FOR THE PERIOD	18	4,390	5,112

All the above transactions relate to continuing operations.

There were no recognised gains or losses for the period or the preceding period other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

BALANCE SHEET
30 December 2001 (note 1)

	Note	£'000	2001 £'000	£'000	Restated 2000 £'000
FIXED ASSETS					
Intangible assets	9		40,982		40,982
Tangible fixed assets	11		6,173		2,236
Investments	12		30,000		30,000
			77,155		73,218
CURRENT ASSETS					
Stocks	13	278		142	
Debtors	14	6,026		7,453	
		6,304		7,595	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(39,133)		(41,186)	
NET CURRENT LIABILITIES			(32,829)		(33,591)
TOTAL ASSETS LESS CURRENT LIABILITIES			44,326		39,627
PROVISIONS FOR LIABILITIES AND CHARGES	16		(889)		(580)
NET ASSETS			43,437		39,047
CAPITAL AND RESERVES					
Called up share capital	17		1		1
Share premium account	18		35,999		35,999
Profit and loss account	18		7,437		3,047
SHAREHOLDERS' FUNDS - All equity	19		43,437		39,047

The financial statements on pages 4 to 15 were approved by the Board on 20 September 2002 and signed on its behalf.

Paul Hunter

P Hunter

Director

NOTES TO THE ACCOUNTS
52 weeks ended 30 December 2001

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 and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

FRS 18 has been adopted in the current year but this did not require any change in accounting policy, except for post retirement medical costs disclosure.

Accounting period

The profit and loss accounts cover the 52 weeks from 1 January 2001 to 30 December 2001 and 53 weeks from 27 December 1999 to 31 December 2000. The balance sheets for 2001 and 2000 have been drawn up at 30 December 2001 and 31 December 2000 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.

Tangible fixed assets and depreciation

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

Freehold buildings	-	2% straight line basis
Plant and equipment	-	2% - 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.

Intangible fixed assets

Publishing rights and titles are stated at fair value on acquisition, based on the operating profits derived from them, and are not subsequently revalued. Publishing rights or titles have historically had lives in excess of 20 periods and the directors do not foresee the end of their economic life, and, consequently, are treated as having an indefinite economic life. Having an indefinite economic life, no systematic amortisation is applied. Intangible assets are reviewed for impairment annually, and provision is made for any impairment in value. Internally developed intangibles are not carried on the balance sheet.

Investments

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

Stocks

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

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.

NOTES TO THE ACCOUNTS
52 weeks ended 30 December 2001

1. ACCOUNTING POLICIES (CONTINUED)

Vacant property

A provision is made at the balance sheet date for the net present value of net future rentals on vacant and surplus property assets.

Pensions

The company operates a defined benefit scheme, the Newsquest Pension Scheme ("the Scheme"). The expected cost of pensions in respect of the Scheme are charged to the profit and loss account so as to spread the costs over the service lives of employees in the Scheme. Actuarial surpluses and deficits are allocated over the average expected remaining service lives of employees. Pension costs are assessed in accordance with the advice of qualified independent actuaries.

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 18).

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 23).

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. As a result of adopting FRS 18 Accounting Policies the prior year balance sheet has been restated to separately identify this provision.

2. TURNOVER

The whole of the turnover is attributable to the one principal activity of the company being publishing newspapers. All turnover arose within the United Kingdom.

3. OPERATING EXPENSES

	2001 £'000	2000 £'000
Selling and distribution costs	5,975	5,548
Administrative expenses	10,684	10,588
	16,659	16,136

NOTES TO THE ACCOUNTS
52 weeks ended 30 December 2001

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2001 £'000	2000 £'000
Depreciation of tangible fixed assets:		
- owned by the company	877	1,024
Operating lease rentals:		
- hire of plant and machinery	1	2
- land and buildings	309	301
Management charge	628	471
Profit on disposals of fixed assets	(40)	(26)

Audit fees are borne by another group company in the current and preceding periods.

5. STAFF COSTS

Staff costs were as follows:

	2001 £'000	2000 £'000
Wages and salaries	13,263	9,098
Social security costs	807	759
Other pension costs	341	311
	14,411	10,168

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

	No.	No.
Pre-press	87	89
Editorial	195	188
Marketing and sales	202	226
Distribution	3,803	87
Finance and management	51	60
	4,338	650

Staff are employed under contracts of employment with fellow subsidiaries.

The average number of employees for Distribution includes 3,708 employees who were sub-contractors prior to January 2001.

Directors remuneration in 2001 was £nil (2000 - £nil). All emoluments and pension payments made by related companies to directors are dealt with in the accounts of Newsquest Media Group Limited.

NOTES TO THE ACCOUNTS
52 weeks ended 30 December 2001

6. INTEREST PAYABLE

	2001 £'000	2000 £'000
Other interest	1	7

7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2001	2000
Analysis of charge in the period:	**£'000**	**£'000**
Current tax:		
UK Corporation tax at 30% (2000 – 30%)	1,095	1,304
Adjustment in respect of prior periods	(195)	(831)
Total current tax (see below)	900	473
Deferred taxation		
Origination and reversal of timing differences	(63)	(246)
Adjustment in respect of prior periods	(5)	3
	832	230

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

	2001	2000
Analysis of charge in the period:	**£'000**	**£'000**
Profit on ordinary activities before taxation	8,559	7,919
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2000 - 30%)	2,568	2,376
Expenses not deductible for tax purposes	62	(21)
Depreciation for period in excess of capital allowances	15	299
Utilisation of tax losses	(1,550)	(1,350)
Adjustments to tax charge in respect of previous periods	(195)	(831)
	900	473

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

NOTES TO THE ACCOUNTS
52 weeks ended 30 December 2001

8. DIVIDENDS

	2001 £'000	2000 £'000
Interim dividend paid	3,337	2,577

9. INTANGIBLE ASSETS

	2001 £'000	2000 £'000
Publishing rights		
Cost and net book value		
At 1 January 2001 and 30 December 2001	40,982	40,982

10. ACQUISITIONS

On 30 December 2001 the company acquired the trade, assets and liabilities of Newsquest Printing (Colchester) Limited at net book value. No fair value adjustments were made on acquisition.

	Fair Value £'000
Fixed Assets	3,993
Current Assets	
Stock	148
Trade debtors	34
Prepayments	53
Liabilities	
Accruals	(543)
Bank overdraft	(277)
Deferred tax	(548)
Amounts due to group companies	(443)
Net assets acquired	2,417
Consideration:	
Amounts owed to group companies	2,417

NOTES TO THE ACCOUNTS
52 weeks ended 30 December 2001

11. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2001	830	6,339	7,169
Additions	-	882	882
Disposals	-	(1,089)	(1,089)
Net transfers from group companies	543	8,813	9,356
At 30 December 2001	1,373	14,945	16,318
Depreciation			
At 1 January 2001	169	4,764	4,933
Charge for period	7	870	877
Disposals	-	(1,028)	(1,028)
Net transfers from group companies	227	5,136	5,363
At 30 December 2001	403	9,742	10,145
Net book value			
At 30 December 2001	970	5,203	6,173
At 1 January 2001	661	1,575	2,236

Included within land and buildings are short leaseholds with a net book value of £315,000 (2000 - £nil) and freeholds with a net book value of £655,000 (2000 - £661,000), within which is freehold land with a net book value of £458,000 (2000 - £458,000).

12. INVESTMENTS

	2001 £'000	2000 £'000
Shares in group undertaking		
Cost and net book value		
At 1 January 2001 and 30 December 2001	30,000	30,000

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

13. STOCKS

	2001 £'000	2000 £'000
Raw materials	278	142

NOTES TO THE ACCOUNTS
52 weeks ended 30 December 2001

14. DEBTORS

	2001 £'000	2000 £'000
Due within one year		
Trade debtors	3,538	3,580
Amounts owed by group undertakings	1,818	3,080
Other debtors	325	585
Prepayments and accrued income	345	208
	6,026	7,453

15. CREDITORS

	2001 £'000	Restated 2000 £'000
Amounts falling due within one year		
Bank loans and overdraft	515	162
Trade creditors	91	66
Amounts owed to group undertakings	32,460	36,268
Corporation tax	2,322	1,292
Other taxation and social security	1,914	1,817
Other creditors	197	243
Accruals and deferred income	1,634	1,338
	39,133	41,186

NOTES TO THE ACCOUNTS
52 weeks ended 30 December 2001

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £'000	Post retirement medical costs £'000	Vacant property provision £'000	Total £'000
At 1 January 2001	(243)	-	203	203
Reclassification from other creditors (note 1)	-	377	-	377
At 1 January 2001 - restated	(243)	377	203	337
(Credit)/ charge for the period	(68)	12	97	41
Utilisation	-	(10)	(27)	(37)
Transfer from Group Companies	548	-	-	548
At 30 December 2001	237	379	273	889

The vacant 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 comparative deferred tax asset is included in other debtors. The amounts of provided and unprovided deferred taxation can be analysed as follows:

	Provided 2001 £'000	2000 £'000
Capital allowances in excess of depreciation	(236)	(123)
Other timing differences	(75)	(120)
Transfer from Group Companies	548	-
	237	(243)

The deferred tax asset transferred from a group company can be analysed as follows:

	Provided 2001 £'000
Capital allowances in excess of depreciation	548

There was no unprovided deferred tax.

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.

Deferred taxation on rolled over capital gains of £4,000 (2000 - £4,000) has not been provided.

NOTES TO THE ACCOUNTS
52 weeks ended 30 December 2001

17. CALLED UP SHARE CAPITAL

	2001	2000
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

18. RESERVES

	2001 £'000	2000 £'000
Share premium account		
At 1 January 2001 and 30 December 2001	35,999	35,999
Profit and loss account reserve		
At 1 January 2001	3,047	(2,065)
Profit for the period	4,390	5,112
At 30 December 2001	7,437	3,047

Included is the profit and loss account reserve is £9,309,000 (2000 - £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.

19. SHAREHOLDERS' FUNDS

	2001 £'000	2000 £'000
Profit for the financial period	7,727	7,689
Dividends	(3,337)	(2,577)
Net additions to shareholders' funds	4,390	5,112
Opening shareholders' funds	39,047	33,935
Closing shareholders' funds	43,437	39,047

NOTES TO THE ACCOUNTS
52 weeks ended 30 December 2001

20. OTHER COMMITMENTS

At 30 December 2001 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Plant and machinery	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Expiry date				
Within one year	8	-	1	-
Between two and five years	53	47	-	-
In more than five years	375	265	-	-

At 30 December 2001 the company had capital commitments of £292,000 (2000 - £78,000).

21. PENSIONS

The company is a member of the Newsquest Pension Plan, which is a funded defined benefit scheme, details of which, including particulars of the latest actuarial valuation, can be found in the financial statements of Newsquest Media Group Ltd. The pension costs relating to the group plan are assessed in accordance with the advice of a qualified independent actuary.

The total pension cost for the period was £341,000 (2000 - £311,000).

22. RELATED PARTIES

The company is a wholly owned subsidiary included in the consolidated financial statements of its ultimate parent company. These financial statements are publicly available, therefore, the company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosure of transactions with entities that are part of the group or investees of the group qualifying as related parties.

23. ULTIMATE PARENT COMPANY

The company's ultimate parent and controlling company is Gannett Co., Inc., a company incorporated in the United States of America. The controlling company of the Newsquest group of companies in the United Kingdom is Gannett U.K. Limited, a company incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of Gannett Co., Inc. and Gannett U.K. Limited comprise respectively the largest and smallest groups of which the company is a member that prepare consolidated financial statements. The annual report and consolidated financial statements of Gannett Co., Inc. can be obtained from the Secretary, Gannett Co., Inc., 7950 Jones Branch Drive, McLean, Virginia 22107. The annual report and consolidated financial statements of Gannett U.K. Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.