

NEWSQUEST (ESSEX) LIMITED

**Directors' Report and Financial Statements
for the 51 weeks ended 26 December 1999**



REPORT AND FINANCIAL STATEMENTS 1999

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DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 51 weeks ended 26 December 1999.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The company's principal activity continues to be that of publishing newspapers. On 26 July 1999, the company's former parent company, Newsquest plc, was acquired by Gannett U.K. Limited. The ultimate parent company of Gannett U.K. Limited is Gannett Co., Inc.

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

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £2,708,000 (1998 - £3,329,000).

The directors do not recommend that a dividend is paid (1998 - £ nil).

DIRECTORS

The directors who served during the year are listed below.

J T Brown
I W Aiken
D G Christie (resigned 30 September 1999)
P Davidson
J C Pfeil
P A Radburn

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms subject to the terms and conditions being met by the supplier. The number of days of purchases in trade creditors at the year end was 10 days (1998 - 5 days).

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 year. 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 all staff throughout the year.

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.

YEAR 2000

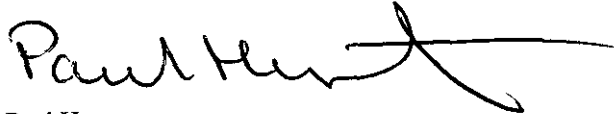
Details of the group's progress towards achieving Year 2000 compliance are set out in the accounts of Gannett U.K. Limited.

DIRECTORS' REPORT

AUDITORS

Deloitte & Touche resigned as auditors during the year and PricewaterhouseCoopers were appointed as 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 15 May 2000 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'Paul Hunter', with a long horizontal flourish extending to the right.

Paul Hunter
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. 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.

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

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 26 December 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6NN

15 May 2000

PROFIT AND LOSS ACCOUNT**51 weeks ended 26 December 1999 (note 1)**

		1999	1998
	Note	£'000	£'000
TURNOVER	1,2	33,490	33,013
Cost of sales		(11,312)	(10,872)
GROSS PROFIT		<u>22,178</u>	<u>22,141</u>
Operating expenses	3	(17,589)	(17,367)
OPERATING PROFIT	4	<u>4,589</u>	<u>4,774</u>
Interest payable	6	(12)	(23)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>4,577</u>	<u>4,751</u>
Tax charge on profit on ordinary activities	7	(1,869)	(1,422)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE PERIOD	16	<u><u>2,708</u></u>	<u><u>3,329</u></u>

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.

NEWSQUEST (ESSEX) LIMITED

BALANCE SHEET 26 December 1999 (note 1)

	Note	£'000	1999 £'000	1998 £'000
FIXED ASSETS				
Intangible assets	8		40,982	40,982
Tangible fixed assets	9		2,883	3,376
Investments	10		30,000	30,000
			<u>73,865</u>	<u>74,358</u>
CURRENT ASSETS				
Stocks	11	80		126
Debtors	12	7,430		7,029
Cash at bank		212		263
		<u>7,722</u>		<u>7,418</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(47,432)		(50,075)
NET CURRENT LIABILITIES			<u>(39,710)</u>	<u>(42,657)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			34,155	31,701
PROVISIONS FOR LIABILITIES AND CHARGES	14		(220)	(474)
NET ASSETS			<u>33,935</u>	<u>31,227</u>
CAPITAL AND RESERVES				
Called up share capital	15		1	1
Share premium account	16		35,999	35,999
Profit and loss account	16		(2,065)	(4,773)
SHAREHOLDERS' FUNDS - All equity	17		<u>33,935</u>	<u>31,227</u>

The financial statements on pages 5 to 14 were approved by the Board on 15 May 2000 and signed on its behalf.

J C Pfeil.

J C Pfeil
Director

NOTES TO THE ACCOUNTS**51 weeks ended 26 December 1999****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.

Accounting period

The profit and loss accounts cover the 51 weeks from 4 January 1999 to 26 December 1999 and 53 weeks from 29 December 1997 to 3 January 1999. The balance sheets for 1999 and 1998 have been drawn up at 26 December 1999 and 3 January 1999 respectively.

Comparative Financial Information

The balance sheet for 1998 has been restated to separately disclose the vacant property provision in provisions following the introduction of Financial Reporting Standard 12.

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 distribution.

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.

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 years 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.

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 timing differences arising from the different treatment of items for accounting and taxation purposes which are expected to reverse in the future, calculated at the rate at which it is expected the tax will arise. 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.

Vacant Property

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

NOTES TO THE ACCOUNTS

51 weeks ended 26 December 1999

1. ACCOUNTING POLICIES (CONTINUED)

Pensions

Employees are members of the Newsquest Pension Scheme ("the Scheme"), a defined benefit 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 and the comparative figures in the accounts have been revised to reflect this. This goodwill will be charged to the profit and loss account in the event of the disposal of the business to which it relates.

Operating leases

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

Group accounts and cash flow statement

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

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

	1999 £'000	1998 £'000
Selling and distribution costs	4,847	5,184
Administrative expenses	12,742	12,183
	<hr/>	<hr/>
	17,589	17,367
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
51 weeks ended 26 December 1999

4. OPERATING PROFIT

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

	1999	1998
	£'000	£'000
Depreciation of tangible fixed assets:		
- owned by the company	1,089	1,039
Operating lease rentals:		
- hire of plant and machinery	6	17
- land and buildings	289	296
Management charge	2,158	2,768
Profit on disposals of fixed assets	(31)	(31)

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

5. STAFF COSTS

Staff costs were as follows:

	1999	1998
	£'000	£'000
Wages and salaries	8,137	8,204
Share scheme termination payments	880	-
Social security costs	687	732
Other pension costs	306	329
	<u>10,010</u>	<u>9,265</u>

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

	No.	No.
Pre-press	97	84
Editorial	182	183
Marketing and sales	246	242
Distribution	96	85
Finance and management	31	43
	<u>652</u>	<u>637</u>

Staff are employed under contracts of employment with fellow subsidiaries.

Directors remuneration in 1999 was £nil (1998 - £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
51 weeks ended 26 December 1999

6. INTEREST PAYABLE

	1999 £'000	1998 £'000
Other interest	12	23

7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
Current period taxation:		
Corporation tax at 30.25 % (1998 – 31%)	1,808	1,417
Deferred taxation	25	62
Adjustment in respect of prior years:		
Corporation tax	66	(12)
Deferred taxation	(30)	(45)
	1,869	1,422

8. INTANGIBLE ASSETS

	1999 £'000	1998 £'000
Publishing rights		
Cost and net book value		
At 4 January 1999	40,982	40,982
At 26 December 1999	40,982	40,982

NOTES TO THE ACCOUNTS
51 weeks ended 26 December 1999

9. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 4 January 1999	836	8,096	8,932
Reclassifications	(6)	6	-
Additions	-	707	707
Disposals	-	(2,249)	(2,249)
	<hr/>	<hr/>	<hr/>
At 26 December 1999	830	6,560	7,390
Depreciation			
At 4 January 1999	143	5,413	5,556
Charge for year	16	1,073	1,089
Disposals	-	(2,138)	(2,138)
	<hr/>	<hr/>	<hr/>
At 26 December 1999	159	4,348	4,507
Net book value			
At 26 December 1999	<hr/> 671 <hr/>	<hr/> 2,212 <hr/>	<hr/> 2,883 <hr/>
At 3 January 1999	<hr/> 693 <hr/>	<hr/> 2,683 <hr/>	<hr/> 3,376 <hr/>

Included within land and buildings are short leaseholds with a net book value of £4,000 and freeholds with a net book value of £667,000, within which is freehold land with a net book value of £458,000.

10. INVESTMENTS

	1999 £'000	1998 £'000
Shares in group undertaking		
Cost and net book value		
At 4 January 1999 and 26 December 1999	<hr/> 30,000 <hr/>	<hr/> 30,000 <hr/>

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

11. STOCKS

	1999 £'000	1998 £'000
Raw materials	<hr/> 80 <hr/>	<hr/> 126 <hr/>

NOTES TO THE ACCOUNTS
51 weeks ended 26 December 1999

12. DEBTORS

	1999	1998
	£'000	£'000
Due within one year		
Trade debtors	4,296	4,435
Amounts owed to group undertakings	2,431	2,017
Other debtors	98	1
Prepayments and accrued income	605	576
	<u>7,430</u>	<u>7,029</u>

13. CREDITORS

	1999	1998
	£'000	£'000
Amounts falling due within one year		
Trade creditors	485	286
Amounts owed to group undertakings	41,717	45,913
Corporation tax	1,801	1,316
Other taxation and social security	1,652	1,355
Other creditors	562	158
Accruals and deferred income	1,215	1,047
	<u>47,432</u>	<u>50,075</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax	Vacant property provision	Total
	£'000	£'000	£'000
At 4 January 1999	5	469	474
Charge for the period	(5)	(215)	(220)
Utilisation	-	(34)	(34)
	<u>-</u>	<u>-</u>	<u>-</u>
At 26 December 1999	-	220	220

15. CALLED UP SHARE CAPITAL

	1999	1998
	£	£
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
753 ordinary shares of £1 each	<u>753</u>	<u>753</u>

NOTES TO THE ACCOUNTS
51 weeks ended 26 December 1999

16. RESERVES

	1999	1998
	£'000	£'000
Share premium account		
At 26 December 1999 and 4 January 1999	35,999	35,999
Profit and loss account reserve		
At 4 January 1999	(4,773)	(8,102)
Profit for the period	2,708	3,329
At 26 December 1999	(2,065)	(4,773)

Included is the profit and loss account reserve is £9,309,000 (1998 - £9,309,000) at 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.

17. SHAREHOLDERS' FUNDS

	1999	1998
	£'000	£'000
Profit for the financial period	2,708	3,329
Net additions to shareholders' funds	2,708	3,329
Opening shareholders' funds	31,227	27,898
Closing shareholders' funds	33,935	31,227

NOTES TO THE ACCOUNTS
51 weeks ended 26 December 1999

18. OTHER COMMITMENTS

At 26 December 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Plant and machinery	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Expiry date				
Within one year	-	-	-	12
Between two and five years	15	15	4	4
In more than five years	281	269	-	-

At 26 December 1999 the company had no annual capital commitments (1998 - £ nil).

19. PENSIONS

The company is a member of the Newsquest Pension Plan, which is primarily 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 year was £306,000 (1998 - £329,000).

20. RELATED PARTIES

The company is a wholly owned subsidiary included in the consolidated financial statements of its ultimate parent company. These financial statements are publicly available, therefore, the company has taken advantage of the exemption 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.

21. 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 prepares consolidated financial statements. The annual report and consolidated financial statements of Gannett Co., Inc. can be obtained from the Secretary, Gannett Co., Inc., 1100 Wilson Boulevard, Arlington, Virginia 22234. The annual report and consolidated financial statements of Gannett U.K. Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.