Company Registration No. 3104052

NEWSQUEST (MIDLANDS SOUTH) 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 strategic report for the 53 weeks ended 31 December 2017.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Newsquest (Midlands South) Limited ("the company") is a wholly owned subsidiary undertaking of Newsquest Media Group Limited (collectively with other subsidiaries "the group").

During the year, the company's principal activity continued to be that of publishing and printing local news and information.

Key Performance indicators

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

	*2017 £'000	*2016 £'000	Change
Turnover	46,194	18,752	146.3%
Adjusted EBITDA**	12,322	2,532	386.7%
Adjusted EBITDA margin**	26.7%	13.5%	13.2

* 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 and exceptional restructuring costs.

Turnover represents revenue generated from the company's principal activity. The year on year increase in turnover and adjusted EBITDA reflects the acquisition of the Oxfordshire & Wiltshire and Wales businesses from Newsquest Media Group Limited on 26 December 2016. Excluding the impact of the acquisition the decline in turnover for continuing operations is largely explained by lower advertising and circulation revenue in print media.

During the period the company continued to make a series of cost reductions and restructured processes to improve performance.

On 31 December 2017, the company transferred its businesses' assets and liabilities to Newsquest Media Group Limited. Following the transfer of the business, the reserves of the company were distributed to Newsquest Media Group Limited and the company became dormant. The net assets of the company after the transfer and distribution amounted to £1. The directors intend for the company to be struck off in due course.

PRINCIPAL RISKS AND UNCERTAINTIES

Consistent and sustainable revenue growth

The company operates 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 group's ability to grow revenues.

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

General economic conditions

The company is also exposed to the general economic conditions that affect its advertisers and readers, particularly in the property, motors and employment advertising markets. The group'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.

Operating and financial synergies

The risks and uncertainties facing the company are linked to those of its fellow subsidiaries in the UK. The current results reflect the benefits arising from the relationship with fellow subsidiaries in terms of financing, purchasing efficiency, disaster recovery and information technology.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Financial risk management

The company is a subsidiary undertaking within the group. Cash funds of the group are managed at a group level. Interest is received and paid by the company on certain loans with other group companies.

Liquidity and interest rate risk

The company's arrangements with the group, as described above, ensure it can access the funds needed to meet its liquidity requirements as cash can be obtained through group funding. Interest receivable and payable on loans with other group companies are calculated at rates of interest stipulated under the group loan agreement. The group's liquidity requirements and interest rate risks are managed at a group level.

This report was approved by the Board and signed on its behalf on 5 July 2018 by:

N Carpenter
Joint Company Secretary

DIRECTORS' REPORT

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

RESULTS, DIVIDENDS AND FUTURE PROSPECTS

The profit for the period after taxation amounted to £6,731,000 (2016 – £1,782,000).

An interim dividend of £6,810,843 was paid in the period (2016 - £nil). The directors do not recommend a final dividend (2016 - £nil).

The company's principal activity continued to be that of publishing and printing local news and information. On 31 December 2017, the company transferred its businesses' assets and liabilities to Newsquest Media Group Limited. Following the transfer of the business, the reserves of the company were distributed to Newsquest Media Group Limited and the company became dormant. The net assets of the company after the transfer and distribution amounted to £1. The directors intend for the company to be struck off in due course.

DIRECTORS

The following directors held office during the period and up to the date of signing the financial statements:

H Faure Walker
P Hunter

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The group 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 Strategic Report and Directors' Report.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Details of political and charitable contributions are contained in the directors' report and financial statements of Newsquest Media Group Limited.

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 group and 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 the company's environmental performance and to comply with all relevant regulations.

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 Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. 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;

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITIES (CONTINUED)

- state whether applicable United Kingdom Accounting Standards, including FRS 101, 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 and review of the business, and principal risks and uncertainties, and in the Directors' Report under future prospects.

On 31 December 2017 the company ceased to trade, transferred its business and distributed its reserves to its parent company Newsquest Media Group Limited. Until the company is struck off, the directors have received assurance from Newsquest Media Group Limited that arrangements would be made for the settlement of any liabilities that arise.

On the basis of their assessment of the company's financial position and the confirmations received from group companies, the company's directors have a reasonable expectation that the company will be able to continue in 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 enquiries 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 5 July 2018 by:

N Carpenter
Joint Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWSQUEST (MIDLANDS SOUTH) LIMITED

Opinion

We have audited the financial statements of Newsquest (Midlands South) Limited for the year ended 31 December 2017 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 21, 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 profit 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.

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.

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 srategic report and directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWSQUEST (MIDLANDS SOUTH) 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 3 to 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Ernst & Young LLP

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

INCOME STATEMENT
For the 53 weeks ended 31 December 2017 (note 1)

	Note	Continuing operations 2017 £'000	Acquisitions 2017 £'000	Total 2017 £'000	2016 £'000
TURNOVER		15,969	30,225	46,194	18,752
Cost of sales		(4,811)	(4,829)	(9,640)	(5,073)
GROSS PROFIT		11,158	25,396	36,554	13,679
Selling and distribution costs		(3,153)	(5,811)	(8,964)	(3,161)
Administrative expenses		(3,861)	(13,371)	(17,232)	(8,296)
Exceptional restructuring costs	2	(178)	(413)	(591)	(618)
OPERATING PROFIT	2	3,966	5,801	9,767	1,604
Profit on disposal of property				472	-
Interest payable and similar charges	4			(2,146)	(5)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				8,093	1,599
Income tax (charge)/credit	5			(1,362)	183
PROFIT FOR THE FINANCIAL PERIOD	16			6,731	1,782

Following the transfer of the company's assets and liabilities to Newsquest Media Group Limited on 31 December 2017, the above transactions relate to discontinued operations.

There were no recognised gains or losses for the period or the preceding period, other than those included in the income statement above and therefore no separate Statement of Other Comprehensive Income has been presented.

The notes on pages 10 to 22 form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
53 weeks ended 31 December 2017

	Share capital £'000	Retained earnings £'000	Total £'000
As at 27 December 2015	-	(1,699)	(1,699)
Profit for the period	-	1,782	1,782
Share-based payment transactions (note 3)	-	25	25
Recharges from ultimate parent in respect of shares exercised (note 3)	-	(66)	(66)
At 25 December 2016	-	42	42
Profit for the period	-	6,731	6,731
Share-based payment transactions (note 3)	-	80	80
Recharges from ultimate parent in respect of shares exercised (note 3)	-	(42)	(42)
Dividend (note 15)	-	(6,811)	(6,811)
At 31 December 2017	-	-	-

There is no Other Comprehensive Income in either period.

BALANCE SHEET
31 December 2017

	Note	£'000	2017 £'000	£'000	2016 £'000
FIXED ASSETS					
Intangible assets	7		-		18,957
Tangible fixed assets	8		-		451
			-		19,408
CURRENT ASSETS					
Stocks	9	-		512	
Debtors: amounts falling due within one year	10	-		20,328	
Cash at bank and in hand		-		80	
		-		20,920	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	11	-		(5,782)	
NET CURRENT ASSETS			-		15,138
TOTAL ASSETS LESS CURRENT LIABILITIES			-		34,546
NON-CURRENT LIABILITIES					
Amounts owed to group undertakings		-		(31,275)	
Deferred tax liabilities	12	-		(2,918)	
TOTAL NON-CURRENT LIABILITIES			-		(34,193)
PROVISIONS FOR LIABILITIES	13		-		(311)
NET ASSETS			-		42
CAPITAL AND RESERVES					
Called up share capital	14		-		-
Retained earnings	16		-		42
TOTAL EQUITY			-		42

The notes on pages 10 to 22 form part of the financial statements.

The financial statements on pages 7 to 22 were approved by the Board and signed on its behalf on 5 July 2018 by:

Paul Hunt

P Hunter
Director

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

1. ACCOUNTING POLICIES

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 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 included in the consolidated financial statements of Gannett Co., Inc., that are available to the public (note 21). Where relevant, equivalent disclosures are made in the consolidated accounts including the presentation of a cash flow statement, the company has taken advantage of the exemption granted by Financial Reporting Standard 101 – 'Reduced Disclosure Framework' not to present a cash flow statement. The principal accounting policies adopted are set out under the notes below.

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 the 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.

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.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the 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.

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.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

Judgements and key sources of estimation uncertainty (continued)

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 rentals, 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, rentals are provided for up to that point In addition, an estimate is made of the likelihood of sub-letting the premises and any rentals that would be receivable from a sub-tenant. Where receipt of sub-lease rentals is considered likely, these amounts are deducted from the rentals 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 together with an assessment of the effect of future tax planning strategies. Further details are contained in note 11.

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 advertising, printing and publishing newspapers activities, and arises 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 earns 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.'

Royalties

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

Operating profit

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

Exceptional items

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

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

1. **ACCOUNTING POLICIES (CONTINUED)**

Significant accounting policies (continued)

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
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

Land is not depreciated.

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

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

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

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.

Other debtors

Other debtors are provided for on an individual basis 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.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

1. **ACCOUNTING POLICIES (CONTINUED)**

Significant accounting policies (continued)

Operating leases (continued)

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.

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 pension costs are assessed in accordance with the advice of qualified independent actuaries. Charges to the income statements for group subsidiaries that participate in the scheme are allocated to each company by the principal employer of the Scheme, Newsquest Media Group Limited, based upon contributions by the principal employer and the current cost of servicing pensions for the scheme members relating to the company.

In accordance with IAS 19, 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 18 for further details.

In respect of the defined contribution pension scheme, 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.

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.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

Share-based payments (continued)

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 retained earnings.

2. OPERATING PROFIT

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

	2017 £'000	2016 £'000
Depreciation of tangible fixed assets:		
- owned by the company	1,220	206
- held under finance leases	273	104
Profit on disposal of fixed assets	(75)	(20)
Operating lease rentals:		
- hire of plant and machinery	11	18
- land and buildings	194	153
Management charge (excluding pensions recharge)	1,891	691
Exceptional restructuring costs	591	618

Fees for audit services for the entire Gannett U.K. Limited group totalling £425,000 (2016 - £392,000) were borne by Newsquest Media Group Limited in the current and prior period. In 2017 the company has paid its allocation of the audit fees through the management charge.

Exceptional restructuring costs primarily relate to redundancy.

3. STAFF COSTS

Staff costs were as follows:

	2017 £'000	2016 £'000
Wages and salaries	13,724	5,582
Social security costs	1,104	411
Other pension costs – defined contribution scheme (note 18)	446	182
Other pension costs – closed defined benefit scheme recharge (note 18)	-	2,507
	15,274	8,682

Included in wages and salaries is a total expense for share-based payments of £80,000 (2016 - £25,000), all of which arises from transactions accounted for as equity-settled share-based payment transactions.

Recharges for the intrinsic value of options exercised in 2017 of £42,000 (2016 - £66,000) have been taken directly to reserves.

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

	2017 No.	2016 No.
Pre-press	4	3
Printing	48	11
Editorial	171	55
Marketing and sales	207	99
Distribution	37	13
Finance and management	28	21
	495	202

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

3. STAFF COSTS (CONTINUED)

Staff are employed under contracts of employment with fellow subsidiaries.

There were also 1,725 (2016 – 1,471) 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.

The directors receive no remuneration for their qualifying services to the company (2016 - £nil). All emoluments and pension payments made by related companies to directors are dealt with in the accounts of Newsquest Media Group Limited.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £'000	2016 £'000
Interest payable to group undertakings*	2,077	4
Unwind of discount on provision (note 13)	69	1
	2,146	5

*Interest due to group undertakings on inter-company borrowings has been waived for the purposes of preparing accounts for the 52 weeks ended 25 December 2016.

5. TAXATION

(a) Tax (charged)/credited in the income statement

	2017 £'000	2016 £'000
Current income tax (charge):		
UK corporation tax at 19.25% (2016 – 20.00%)	(1,489)	-
Deferred tax credit/(charge):		
Origination and reversal of temporary differences	108	-
Adjustments in respect of prior periods	19	(7)
Effect of change in tax rates	-	190
	127	183
Total income tax (charge)/credit reported in the income statement all relating to continuing operations	(1,362)	183

(b) Reconciliation of the total tax (charge)/credit:	2017 £'000	2016 £'000
Profit from continuing activities before taxation	8,093	1,599
Tax on the profits on ordinary activities at the standard UK rate of corporation tax of 19.25% (2016 – 20.00%)	(1,558)	(320)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Deferred tax over/(under) provided in prior years	19	(7)
Effect of change in tax rates		190
Tax effect of items that are not deductible or not taxable in determining taxable profit	(17)	(4)
Transfer pricing adjustment	-	143
Deferred tax not provided current year	87	-
Group relief claimed for nil payment	-	188
Deferred tax movement on share based payments	3	(7)
Deferred tax movement on rolled over gains	14	-
Movement on capital losses not recognised for deferred tax	90	-
Total income tax (charge)/credit reported in the income statement	(1,362)	183

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

5. TAXATION (CONTINUED)

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.

(c) 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	(66)	(13)
Other timing differences	(18)	18
Rolled over gains	14	-
Properties not eligible for capital allowances	175	2
Share based payments	3	(7)
Effect of change in tax rates	-	190
Deferred tax over/(under) provided in prior years	19	(7)
	127	183

(d) 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.

6. ACQUISITIONS

On 26 December 2016 the trade, assets and liabilities of the Oxfordshire & Wiltshire business and Wales business were transferred from Newsquest Media Group Limited to Newsquest (Midlands South) Limited at book cost for proceeds of £4,106,000.

	Oxfordshire & Wiltshire business £'000	Wales business £'000	Total £'000
Fixed Assets			
Intangible fixed assets	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	(4,776)	-	(4,776)
Leasehold	(15)	-	(15)
Medical	(142)	-	(142)
Total Provisions	**(157)**	-	**(157)**
Net assets acquired	**4,106**	-	**4,106**
Consideration	**4,106**	-	**4,106**

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

7. INTANGIBLE ASSETS

	Publishing rights £'000
Cost	
At 26 December 2016	25,788
Transfers in from group restructuring (note 6)	15,354
Transfer to group company on 31 December 2017	(41,142)
At 31 December 2017	-
Provisions and impairment	
At 26 December 2016	6,831
Transfer to group company on 31 December 2017	(6,831)
At 31 December 2017	-
Carrying amount	
At 31 December 2017	-
At 25 December 2016	18,957

Publishing rights and trademarks acquired through business combinations 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.

8. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 26 December 2016	410	1,327	1,737
Additions	-	865	865
Disposals	(1,156)	(1,549)	(2,705)
Transfers in from group restructuring (note 6)	13,642	17,981	31,623
Transfers out from group restructuring on 31 December 2017	(12,896)	(18,681)	(31,577)
Net transfers from group undertakings	-	57	57
At 31 December 2017	-	-	-
Depreciation			
At 26 December 2016	257	1,029	1,286
Charge for period	470	1,023	1,493
Disposals	(662)	(1,509)	(2,171)
Transfers in from group restructuring (note 6)	6,818	10,528	17,346
Transfers out from group restructuring on 31 December 2017	(6,883)	(11,099)	(17,982)
Net transfers from group undertakings	-	28	28
At 31 December 2017	-	-	-
Carrying amount			
At 31 December 2017	-	-	-
At 25 December 2016	153	298	451

Included within land and buildings is freehold land & buildings with a net book value of £nil (2016 - £153,000), within which is freehold land with a net book value of £nil (2016 - £40,000). Also, included within plant and equipment are leased assets with a net book value of £nil (2016 - £213,000).

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

9. STOCKS

	2017 £'000	2016 £'000
Raw materials	-	512

10. DEBTORS

	2017 £'000	2016 £'000
Other debtors	-	89
Amounts due from group undertakings	-	19,478
Prepayments and accrued income	-	761
	-	20,328

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Trade creditors	-	333
Amounts due to group undertakings	-	2,101
Other taxation and social security	-	634
Other creditors	-	381
Accruals and deferred income	-	2,333
	-	5,782

12. DEFERRED TAX

Reconciliation of net deferred tax liabilities

	2017 £'000	2016 £'000
As at 26 December 2016	(2,918)	(3,101)
Tax movement during the period recognised in the income statement	127	183
Transfers in from group restructuring (note 6)	(4,776)	-
Transfers to group undertaking on 31 December 2017	7,567	-
As at 31 December 2017	-	(2,918)

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

	2017 £'000	2016 £'000
Deferred tax liability		
Trade intangibles	-	(3,222)
Rolled over gains	-	(1)
Properties not eligible for capital allowances	-	(22)
	-	(3,245)
Deferred tax asset		
Accelerated depreciation for tax purposes	-	227
Other timing differences	-	91
Share based payments	-	9
	-	327
Net deferred tax liabilities	-	(2,918)

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

12. DEFERRED TAX (CONTINUED)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (before offset) for financial reporting purpose:

	2017 £'000	2016 £'000
Deferred tax assets:	-	327
Deferred tax liabilities:	-	(3,245)
	-	(2,918)

The deferred tax asset primarily relating to accelerated depreciation is reversing through the utilisation of capital allowances as shown by the year on year reduction in the deferred tax asset.

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

(b) 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 £nil (2016 - £55,400) have not been recognised in respect of these capital losses as there is uncertainty over their recoverability.

13. PROVISIONS FOR LIABILITIES

	Medical provision £'000	Leasehold property provision £'000	Total £'000
At 26 December 2016			
- Current	-	74	74
- Non-current	-	237	237
	-	311	311
Transfers in from group restructuring (note 6)	142	15	157
Transfers from group undertaking	-	34	34
(Credit)/charge in the period	(2)	2	-
Unwind of discount on provision (note 4)	1	69	70
Utilisation	(10)	(33)	(43)
Transfers to group company on 31 December 2017	(131)	(398)	(529)
At 31 December 2017	-	-	-

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

On 26 December 2016 the trade, assets and liabilities of Newsquest (Oxfordshire & Wiltshire) Limited were transferred to the company.

On 31 December 2017, the trade, assets and liabilities of Newsquest (Midlands South) Limited were transferred to Newsquest Media Group Limited.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

14. CALLED UP SHARE CAPITAL

	2017 £	2016 £
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid:		
1 ordinary share of £1	1	1

15. DIVIDENDS

	2017 £'000	2016 £'000
Dividends made on 31 December 2017:		
Dividend for 2017: £6,810,843 per share (2016: £nil)	6,811	-

16. RESERVES

	Share capital £'000	Retained earnings £'000	Total £'000
As at 27 December 2015	-	(1,699)	(1,699)
Profit for the period	-	1,782	1,782
Share-based payment transactions (note 3)	-	25	25
Recharges from ultimate parent in respect of shares exercised (note 3)	-	(66)	(66)
At 25 December 2016	-	42	42
Profit for the period	-	6,731	6,731
Share-based payment transactions (note 3)	-	80	80
Recharges from ultimate parent in respect of shares exercised (note 3)	-	(42)	(42)
Dividend (note 15)	-	(6,811)	(6,811)
At 31 December 2017	-	-	-

17. OTHER COMMITMENTS

At 31 December 2017 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2017 £'000	Land and buildings 2016 £'000	Plant and machinery 2017 £'000	Plant and machinery 2016 £'000
Expiry date				
Within one year	-	126	-	9
Between two and five years	-	70	-	-
	-	196	-	9

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

18. 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 Newsquest Media Group Limited. Following consultation the Scheme ceased the future accrual of pension benefits with effect from 31 March 2011. Newsquest Media Group Limited paid contributions to the Scheme in 2017 of £15m (2016 - £36.6m).

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

18. PENSIONS (CONTINUED)

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 for that scheme of £nil (2016 - £2,507,000) 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 via a management recharge to the company is based on the current cost of servicing pensions for the scheme members relating to the company where the principal employer chooses to do so.

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 £446,000 (2016 - £182,000).

19. SHARE-BASED PAYMENTS

Employee Share Option Plan

The company participates in the Gannett Co., Inc. 2001 Omnibus Incentive Compensation Plan. Under the plan discretionary share options in the Group's ultimate parent undertaking, Gannett Co., Inc. are granted to employees. Gannett Co., Inc.'s shares are publicly traded on the New York Stock Exchange and the exercise price of the options is equal to the actual closing market price of the shares on the date of grant. The options vest evenly over four years from the date of grant provided that the employee remains in service. The contractual life of the options is 8 years and there are no cash settlement alternatives.

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

	2017 No.	2017 WAEP	2016 No.	2016 WAEP
Outstanding as at 26 December 2016 and 28 December 2015	-	-	328	$5.09
Exercised during the year[1]	-	-	(328)	$5.09
Outstanding at 31 December 2017 and 25 December 2016	-	-	-	-
Exercisable at 31 December 2017 and 25 December 2016	-	-	-	-

[1] The weighted average share price at the date of exercise for the options exercised in the year was $nil (2016 - $9.22).

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

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 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.

NOTES TO THE ACCOUNTS
53 weeks ended 31 December 2017

19. SHARE-BASED PAYMENTS (CONTINUED)

Restricted stock

Restricted stock are discretionary shares awarded to certain individuals out of the 2001 Omnibus 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. On 31 December the accounting for these awards transferred with the employees to Newsquest Media Group Limited.

	2017 No.	2017 WASP*	2016 No.	2016 WASP*
Outstanding at 26 December 2016 and 28 December 2015	11,813	$12.99	16,036	$10.60
Granted during the year[1]	16,376	$9.71	9,423	$16.29
Forfeited during the year	(2,074)	$11.56	(7,651)	$14.18
Settled[2]	(4,527)	$9.59	(6,487)	$10.26
Transferred (to)/from fellow subsidiary	(21,588)	$11.00	492	$10.14
Outstanding at 31 December 2017 and 25 December 2016	-	-	11,813	$12.99

*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 fair value of restricted stock granted in 2017 was $8.14 (2016 - $14.75).

[2] The weighted average share price at the date of settlement was $9.59 in 2017 (2016 - $13.47).

20. RELATED PARTIES

The company is a wholly owned subsidiary included in the consolidated financial statements of its ultimate parent company. These financial statements are publicly available, therefore, the company has taken advantage of the exemption under paragraph 8 (k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries. The amounts due from or due to group companies at the balance sheet date are shown in notes 10 and 11 respectively.

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 intermediate parent and controlling entity in the United Kingdom is Gannett International Holdings LLP, a limited liability partnership incorporated in Great Britain and registered in England and Wales. The immediate parent is Newsquest Media Group Limited. The consolidated financial statements 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.