

NEWSQUEST PLC

**Directors' Report and Financial Statements
for the 52 weeks ended 28 December 2003**



REPORT AND FINANCIAL STATEMENTS 2003

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 28 December 2003.

PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS AND PROSPECTS

The principal activities of the Newsquest plc group of companies are printing and publishing newspapers.

The directors are satisfied with the results and prospects of the company.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation amounted to £119,998,000 (2002 - £91,298,000).

The company paid interim dividends of £120,000,000 (2002 - £91,300,000).

The directors do not recommend that a final dividend is paid (2002 - nil).

DIRECTORS

The directors who served during the period are listed below.

J Brown (resigned 31 July 2003)
P Davidson
D McCorkindale
L Miller
T Chapple
G Martore
P Hunter

None of the directors had any interest in the shares of the company.

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

The company is a holding company and had no trade creditors at the year end, consequently creditor days were nil (2002 - nil).

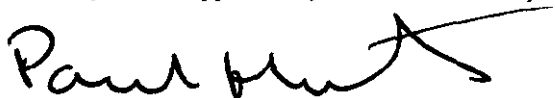
POLITICAL AND CHARITABLE CONTRIBUTIONS

Details of political and charitable contributions are contained in the accounts of Gannett U.K. Limited.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

This report was approved by the Board on 30 April 2004 and signed on its behalf.



P 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 and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently in the year. They also confirm that *reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 28 December 2003 and that applicable accounting standards have been followed.*

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

INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF NEWSQUEST PLC

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related notes.

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.

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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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. The other information comprises only the directors' report.

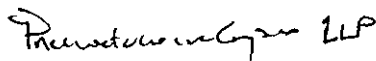
Basis of audit opinion

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 as at 28 December 2003 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH
30 April 2004

PROFIT AND LOSS ACCOUNT**52 weeks ended 28 December 2003 (note 1)**

	Notes	2003 £'000	2002 £'000
Operating expenses		(2)	(2)
OPERATING (LOSS)	2	(2)	(2)
Income from fixed asset investments	4	120,000	91,300
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		119,998	91,298
Tax charge on profit on ordinary activities	5	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		119,998	91,298
Dividends	6	(120,000)	(91,300)
RETAINED (LOSS) FOR THE FINANCIAL PERIOD	12	(2)	(2)

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.

There is no difference between profit on ordinary activities before taxation and the retained loss for the periods stated above and their historical cost equivalents.

BALANCE SHEET
28 December 2003 (note 1)

	Note	£'000	2003 £'000	£'000	2002 £'000
FIXED ASSETS					
Investments	7		270,701		205,701
CURRENT ASSETS					
Debtors	8	27,425		92,427	
CREDITORS: amounts falling due within one year	9	<u>(6)</u>		<u>(6)</u>	
NET CURRENT ASSETS			<u>27,419</u>		<u>92,421</u>
NET ASSETS			<u>298,120</u>		<u>298,122</u>
CAPITAL AND RESERVES					
Share capital	10		1,965		1,965
Share premium	11		250,225		250,225
Capital redemption reserve	11		831		831
Profit and loss reserve	11		<u>45,099</u>		<u>45,101</u>
EQUITY SHAREHOLDERS' FUNDS	12		<u>298,120</u>		<u>298,122</u>

The financial statements on pages 4 to 10 were approved by the Board of Directors on 30 April 2004 and were signed on its behalf.



P Hunter

Director

NOTES TO THE ACCOUNTS

52 weeks ended 28 December 2003

1. ACCOUNTING POLICIES

Basis of preparation of financial statements

The accounts have been prepared under the historical cost convention and in accordance with Accounting Standards currently applicable in the United Kingdom.

The significant accounting policies adopted are as follows:

Accounting period

The profit and loss accounts cover the 52 weeks from 30 December 2002 to 28 December 2003 and the 52 weeks from 31 December 2001 to 29 December 2002. The balance sheets for 2003 and 2002 have been drawn up at 28 December 2003 and 29 December 2002 respectively.

Investments

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

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

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.

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 at 29 December 2002 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. However, the accounts do consolidate the employee trust which invested in shares of the company.

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.

2. OPERATING (LOSS)

The operating loss is stated after charging:

	2003	2002
	£'000	£'000
Administration expenses	(2)	(2)

Audit fees were borne by another group company in the current and prior period.

3. EMPLOYEES AND DIRECTORS

The company had no employees in the period (2002 – nil).

Directors remuneration in 2003 was £nil (2002 - £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 28 December 2003

4. INCOME FROM FIXED ASSET INVESTMENTS

	2003 £'000	2002 £'000
Dividends from group undertakings	<u>120,000</u>	<u>91,300</u>

5. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
Analysis of charge in the period:		
Current tax:		
UK Corporation tax at 30% (2002 – 30 %)	<u>-</u>	<u>-</u>
Total current tax (see below)	<u>-</u>	<u>-</u>

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

	2003 £'000	2002 £'000
Analysis of charge in the period:		
Profit on ordinary activities before taxation	<u>119,998</u>	<u>91,298</u>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2002 - 30%)	35,999	27,389
Income from group undertakings not subject to tax	(36,000)	(27,390)
Surrender of tax losses	<u>1</u>	<u>1</u>
Charge for the period	<u>-</u>	<u>-</u>

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.

6. DIVIDENDS

	2003 £'000	2002 £'000
Interim dividends paid	<u>120,000</u>	<u>91,300</u>

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2003

7. INVESTMENTS

	Investments in subsidiary undertakings £'000
Cost and Net book value	
At 29 December 2002	205,701
Capital contribution	65,000
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At 28 December 2003	270,701
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During the period the Company made a distributable capital contribution of £65m to Newsquest Capital plc, a subsidiary undertaking.

The major subsidiary companies of Newsquest plc (all of which are incorporated in Great Britain and registered in England and Wales and were wholly owned) at 28 December 2003 were:

Name of Company	Nature of business
Newsquest Capital plc*	Holding company
Newsquest Media Group Limited	Printing and publishing
Newsquest (Bradford) Limited	Printing and publishing
Newsquest (Cheshire/Merseyside) Limited	Publishing
Newsquest (Essex) Limited	Printing and publishing
Newsquest (Kendal)	Publishing
Newsquest (Lancashire) Limited	Printing and publishing
Newsquest (London) Limited	Publishing
Newsquest (Midlands South) Limited	Printing and publishing
Newsquest (North East) Limited	Publishing
Newsquest (Oxfordshire) Limited	Printing and publishing
Newsquest (Sussex) Limited	Printing and publishing
Newsquest (Wiltshire) Limited	Printing and publishing
Newsquest (York) Limited	Printing and publishing
Newsquest (Investments) Limited	Investment holding company

*Owned directly by the Company.

8. DEBTORS

	2003 £'000	2002 £'000
Amounts owed by group companies	27,425	92,427
	<hr/>	<hr/>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Dividends	6	6
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
52 weeks ended 28 December 2003

10. SHARE CAPITAL

	2003		2002	
	Number	£'000	Number	£'000
Authorised				
Ordinary shares of 1p each	270,000,000	2,700	270,000,000	2,700
Issued and fully paid				
Ordinary shares of 1p each	196,538,206	1,965	196,538,206	1,965

11. STATEMENT OF MOVEMENTS ON RESERVES

	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
At 29 December 2002	831	250,225	45,101
Retained (loss) for the period	-	-	(2)
At 28 December 2003	831	250,225	45,099

12. SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the financial period	119,998	91,298
Dividends	(120,000)	(91,300)
(Decrease) in shareholders' funds	(2)	(2)
Opening shareholders' funds	298,122	298,124
Closing shareholders' funds	298,120	298,122

13. COMMITMENTS

At 28 December 2003 the company had no annual commitments under non-cancellable operating leases or capital commitments (2002 - £nil).

14. 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.

NOTES TO THE ACCOUNTS**52 weeks ended 28 December 2003****15. 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.