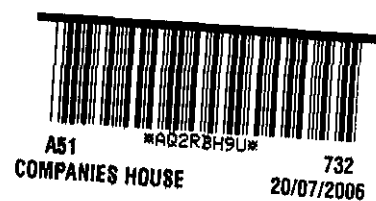


NEWSQUEST PLC

**Directors' Report and Financial Statements
for the 52 weeks ended 25 December 2005**



REPORT AND FINANCIAL STATEMENTS 2005

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 25 December 2005.

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 £91,544,000 (2004 – £98,869,000).

The company paid interim dividends of £89,880,000 (2004 - £96,676,000).

The directors do not recommend that a final dividend is paid (2004 – nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the period are listed below.

D McCorkindale

C Dubow (appointed 15 July 2005)

T Chapple (resigned 30 April 2006)

P Davidson

P Hunter

G Martore

L Miller

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 (2004 - 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 Ernst & Young LLP as auditors to the company will be proposed at the annual general meeting.

This report was approved by the Board on 11 July 2006 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 52 weeks ended 25 December 2005 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 AUDITORS' REPORT TO THE MEMBERS OF NEWSQUEST PLC

We have audited the company's financial statements for the period ended 25 December 2005 which comprise the Profit and Loss Account, Balance Sheet, Reconciliation of Shareholders' Funds and the related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 with the company is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 25 December 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
London

11/7/06

PROFIT AND LOSS ACCOUNT**52 weeks ended 25 December 2005 (note 1)**

| | Notes | 2005 £'000 | 2004 £'000 |
|--|-------|---------------------|---------------------|
| Income from fixed asset investments | 3 | 89,880 | 96,676 |
| Interest receivable | 4 | 2,368 | 2,193 |
| Other income | | <u>6</u> | <u>-</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 92,254 | 98,869 |
| Tax charge on profit on ordinary activities | 5 | <u>(710)</u> | <u>-</u> |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 91,544 | 98,869 |
| Dividends | 6 | <u>(89,880)</u> | <u>(96,676)</u> |
| RETAINED PROFIT FOR THE FINANCIAL PERIOD | 11 | <u><u>1,664</u></u> | <u><u>2,193</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.

BALANCE SHEET
25 December 2005 (note 1)

| | Note | £'000 | 2005 £'000 | 2004 £'000 |
|---|------|--------|---------------|---------------|
| FIXED ASSETS | | | | |
| Investments | 7 | | 270,701 | 270,701 |
| CURRENT ASSETS | | | | |
| Debtors | 8 | 31,986 | | 29,618 |
| CREDITORS: amounts falling due within one year | 9 | (710) | | (6) |
| NET CURRENT ASSETS | | | 31,276 | 29,612 |
| NET ASSETS | | | 301,977 | 300,313 |
| 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 | | 48,956 | 47,292 |
| EQUITY SHAREHOLDERS' FUNDS | 12 | | 301,977 | 300,313 |

The financial statements on pages 4 to 10 were approved by the Board of Directors on 11 July 2006 and were signed on its behalf.



P Hunter

Director

NOTES TO THE ACCOUNTS

52 weeks ended 25 December 2005

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.

Accounting period

The profit and loss accounts cover the 52 weeks from 27 December 2004 to 25 December 2005 and the 52 weeks from 29 December 2003 to 26 December 2004. The balance sheets for 2005 and 2004 have been drawn up at 25 December 2005 and 26 December 2004 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.

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

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 25 December 2005 is established under the law of a member state of the EU. Accordingly the financial statements present information about the company rather than the group as a whole. A cash flow statement is not required under Financial Reporting Standard 1 (revised), as the company is a wholly owned subsidiary and the group's financial statements are publicly available.

2. EMPLOYEES, DIRECTORS AND AUDITORS

The company had no employees in the period (2004 – nil).

Directors' remuneration in 2005 was £nil (2004 – £nil). All emoluments and pension payments made by related companies to directors are dealt with in the accounts of Newsquest Media Group Limited.

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

3. INCOME FROM FIXED ASSET INVESTMENTS

| | 2005 £'000 | 2004 £'000 |
|-----------------------------------|---------------|---------------|
| Dividends from group undertakings | 89,880 | 96,676 |

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2005

4. INTEREST RECEIVABLE

| | 2005 £'000 | 2004 £'000 |
|---|---------------|---------------|
| Interest receivable from group undertakings | 2,368 | 2,193 |

5. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

| | 2005 £'000 | 2004 £'000 |
|--|---------------|---------------|
| Analysis of charge in the period: | | |
| Current tax: | | |
| UK Corporation tax at 30% (2004 - 30%) | 710 | - |

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

| | 2005 £'000 | 2004 £'000 |
|---|---------------|---------------|
| Analysis of charge in the period: | | |
| Profit on ordinary activities before taxation | 92,254 | 98,869 |
| Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 30%) | 27,676 | 29,661 |
| Income from group undertakings not subject to tax | (26,964) | (29,003) |
| Release of unpaid declared dividend | (2) | - |
| Utilisation of tax losses | - | (658) |
| Charge for the period | 710 | - |

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

| | 2005 £'000 | 2004 £'000 |
|------------------------|---------------|---------------|
| Interim dividends paid | 89,880 | 96,676 |

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2005

7. INVESTMENTS

| | Investments in subsidiary undertakings £'000 |
|---|---|
| Cost and Net book value | |
| At 25 December 2005 and at 26 December 2004 | <u>270,701</u> |

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 25 December 2005 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 (London) Limited | Publishing |
| Newsquest (Midlands South) Limited | Printing and publishing |
| Newsquest (North East) Limited | Publishing |
| Newsquest (North West) Limited (formerly Newsquest (Lancashire) Ltd) | Printing and publishing |
| Newsquest (Oxfordshire & Wiltshire) Limited | Printing and publishing |
| Newsquest (Sussex) Limited | Printing and publishing |
| Newsquest (York) Limited | Printing and publishing |
| Newsquest (Investments) Limited | Investment holding company |
| Exchange Enterprises Limited | Publishing |

*Owned directly by the Company.

8. DEBTORS

| | 2005 £'000 | 2004 £'000 |
|------------------------------------|---------------|---------------|
| Amounts owed by group undertakings | <u>31,986</u> | <u>29,618</u> |

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2005 £'000 | 2004 £'000 |
|-----------------|---------------|---------------|
| Dividends | - | 6 |
| Corporation tax | <u>710</u> | <u>-</u> |
| | <u>710</u> | <u>6</u> |

NOTES TO THE ACCOUNTS
52 weeks ended 25 December 2005

10. SHARE CAPITAL

| | 2005 | | 2004 | |
|------------------------------|---------------|--------------|---------------|--------------|
| | 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 27 December 2004 | 831 | 250,225 | 47,292 |
| Retained profit for the period | - | - | 1,664 |
| At 25 December 2005 | 831 | 250,225 | 48,956 |

12. SHAREHOLDERS' FUNDS

| | 2005 £'000 | 2004 £'000 |
|--|-----------------------|-----------------------|
| Profit for the financial period | 91,544 | 98,869 |
| Dividends | (89,880) | (96,676) |
| Increase in shareholders' funds | 1,664 | 2,193 |
| Opening shareholders' funds | 300,313 | 298,120 |
| Closing shareholders' funds | 301,977 | 300,313 |

13. COMMITMENTS

At 25 December 2005 the company had no annual commitments under non-cancellable operating leases or capital commitments (2004 - £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 25 December 2005

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.