

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

**Directors' Report and Financial Statements
for the 52 weeks ended 25 December 2011**

THURSDAY



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13/09/2012
COMPANIES HOUSE

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

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NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 52 weeks ended 25 December 2011

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The company's principal activity continues to be that of printing and publishing local news and information

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

| | 2011 £'000 | 2010 £'000 | Change |
|-------------------------|---------------|---------------|--------|
| Turnover | 34,969 | 34,975 | - |
| Adjusted EBITDA* | 9,054 | 9,275 | (2.4%) |
| Adjusted EBITDA* margin | 25.8% | 26.5% | (0.7) |

* Earnings before interest, tax, depreciation, amortisation and restructuring costs

Turnover represents revenue generated from the company's principal activity. Although year on year total revenue remained flat, EBITDA was 2.4% lower largely due to higher newsprint prices.

During the period the company continued to make a series of cost reductions and restructured processes to mitigate the impact of the decline in revenue. Recovery in the economy is expected to have a positive impact on revenues, although there remains uncertainty about the timing and extent of growth.

PRINCIPAL RISKS AND UNCERTAINTIES

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 company'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 company is creating promising opportunities for revenue generation.

The company is also exposed to the general economic conditions that affect its advertisers and readers, particularly in the property, motors and employment markets. The company's profitability is also affected by labour and benefit 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.

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.

RESULTS AND DIVIDENDS

The profit after taxation for the period amounted to £2,361,000 (2010 profit - £5,468,000).

Interim dividends of £nil (2010 - £nil) were paid in the period. The directors do not recommend a final dividend (2010 - £nil).

DIRECTORS

The directors who served during the period are listed below:

P Davidson
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 directors' report.

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

DIRECTORS' REPORT

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 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. There is a share incentive plan in place which is open to all employees.

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. Information about the recycled content of newsprint used in the production of newspapers by the UK industry can be found on the Newspaper Society website, www.newspapersoc.org.uk

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 Directors' Report and the financial statements in accordance with applicable 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). 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,
- state whether applicable accounting standards 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.

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

DIRECTORS' REPORT

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 directors' report under the sections principal activities, review of the business and future prospects and principal risks and uncertainties

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with Newsquest Media Group Limited and fellow subsidiaries

The directors have received written confirmation from the directors of fellow subsidiaries that amounts disclosed in these accounts as falling due in more than one year are not repayable for a period at least more than one year from the date of the approval of these financial statements and, if appropriate, assistance will be provided in meeting the company's liabilities as and when they fall due, but only to the extent that money is not otherwise available to the company to meet such liabilities. This support would cease in the event of the company ceasing to be a subsidiary of Gannett U K Limited

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 operational 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 Directors' report are listed on page 1. Having made enquires 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 11 September 2012 by



N Carpenter
Joint Company Secretary

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

We have audited the financial statements of Newsquest (Oxfordshire & Wiltshire) Limited for the year ended 25 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 25 December 2011 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Ernst & Young LLP

Philip Young

Senior statutory auditor

for and on behalf of Ernst & Young LLP, London

Date

12/9/12

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

Company Registration No 3223511

PROFIT AND LOSS ACCOUNT**52 weeks ended 25 December 2011 (note 1)**

| | Note | 2011 £'000 | 2010 £'000 |
|--|------|---------------|---------------|
| TURNOVER | 1,2 | 34,969 | 34,975 |
| Cost of sales | | (11,154) | (9,935) |
| GROSS PROFIT | | 23,815 | 25,040 |
| Operating expenses | 3 | (16,936) | (17,761) |
| OPERATING PROFIT | 4 | 6,879 | 7,279 |
| Interest receivable | 6 | 18 | 8 |
| Interest payable and similar charges | 7 | (45) | (89) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 6,852 | 7,198 |
| Tax charge on profit on ordinary activities | 8 | (4,491) | (1,730) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 15 | 2,361 | 5,468 |

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

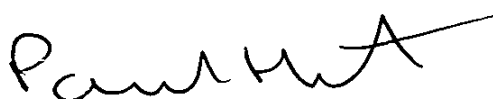
NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

Company Registration No 3223511

BALANCE SHEET**25 December 2011 (note 1)**

| | Note | 2011 £'000 | 2010 £'000 |
|--|------|-----------------|-----------------|
| FIXED ASSETS | | | |
| Intangible assets | 9 | 24,300 | 24,635 |
| Tangible fixed assets | 10 | 19,039 | 20,388 |
| | | <u>43,339</u> | <u>45,023</u> |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 11 | <u>(163)</u> | <u>(2,878)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 43,176 | 42,145 |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 12 | (22,751) | (23,331) |
| PROVISIONS FOR LIABILITIES | 13 | <u>(2,303)</u> | <u>(3,057)</u> |
| NET ASSETS | | <u>18,122</u> | <u>15,757</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | - | - |
| Share premium account | 15 | 35,000 | 35,000 |
| Profit and loss account | 15 | <u>(16,878)</u> | <u>(19,243)</u> |
| SHAREHOLDERS' FUNDS | 15 | <u>18,122</u> | <u>15,757</u> |

The financial statements on pages 5 to 16 were approved by the Board and signed on its behalf on 11 September 2012 by



P Hunter
Director

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 25 December 2011

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

Accounting period

The profit and loss accounts cover the 52 weeks from 27 December 2010 to 25 December 2011 and 52 weeks from 28 December 2009 to 26 December 2010. The balance sheets for 2011 and 2010 have been drawn up at 25 December 2011 and 26 December 2010 respectively

Turnover

Turnover represents the invoiced value of sales, excluding Value Added Tax. Advertising revenues are recognised upon publication of the relevant newspaper. Circulation revenues, for paid-for newspapers, are recognised upon publication. Other revenue including digital revenue is recognised on publication or provision of service. Revenues from barter transactions are recognised when the advertisements are displayed and are recorded at the fair value of goods or services received, in accordance with UITF Abstract 26, 'Barter Transactions for Advertising'.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

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 and assets in the course of construction. Freehold buildings and plant and equipment are depreciated over their estimated useful lives on the following bases:

| | | |
|---------------------|---|------------------------------|
| Freehold buildings | - | 2% straight line basis |
| Plant and equipment | - | 4% - 50% straight line basis |

The carrying value of tangible fixed assets are reviewed for impairment, if events or changes in circumstances indicate the carrying value may not be recoverable.

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.

Intangible fixed assets

Internally developed intangibles are not carried on the balance sheet. Intangible fixed assets represent licences to publishing rights and publishing rights.

Licences to use publishing rights are stated at cost and amortised over the licence period on a straight line basis. Publishing rights are stated at fair value on acquisition. Publishing rights are not subsequently revalued. The directors believe that the company's publishing rights have no finite life and consequently the rights are not amortised.

Intangible assets are reviewed for impairment annually, and provision is made for any impairment in value where the recoverable amount is calculated to be below the carrying value. The recoverable amount is the higher of fair value less selling costs and value in use. Value in use 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.

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.

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 25 December 2011

1. ACCOUNTING POLICIES (CONTINUED)

Leasehold property

A provision is made at the balance sheet date for property dilapidations and for the net present value of net future costs on surplus vacant leased property

Pensions

The company participates in both a defined benefit pension scheme and a defined contribution pension scheme

In respect of the defined benefit pension scheme, the Newsquest Pension Scheme ("the Scheme"), pension costs are assessed in accordance with the advice of qualified independent actuaries. Charges to the profit and loss account for group subsidiaries that participate in the scheme are allocated to the company by the principal employer of the Scheme, Newsquest Media Group Limited, based upon contributions by the principal employer and the pensionable salaries of the company's employees

In accordance with FRS17, 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 17 for further details

In respect of the defined contribution pension scheme, contributions are charged to the profit and loss account 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

Goodwill

On the acquisition of a business, the purchase consideration is allocated between the underlying net tangible and intangible assets on a fair value basis. Goodwill on acquisitions after 1 January 1998 is included on the balance sheet and amortised over its expected useful economic life, up to a maximum of 20 years

Goodwill on acquisitions prior to 1 January 1998 has been written off against profit and loss reserve as a matter of accounting policy. This goodwill will be charged to the profit and loss account in the event of the disposal of the business to which it relates (note 15)

Operating leases

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

Cash flow statement

At 25 December 2011, the company was a wholly owned subsidiary and the consolidated financial statements in which the company is included are publicly available (note 20). Therefore a cash flow statement is not required under Financial Reporting Standard 1 (revised)

Post retirement medical costs

Certain employees benefit from contracts entitling them to post retirement medical benefits. The costs of post retirement medical benefits are provided for by discounting the expected future costs

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, provided that all other performance conditions are satisfied

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

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 profit and loss reserve

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 25 December 2011

1. ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

The company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before the date of implementation by this company, 26 December 2005

For awards granted before 7 November 2002, the company recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards

2. TURNOVER

The whole of the turnover is attributable to the one principal activity of the company being printing and publishing local news and information, and arises in the United Kingdom

3. OPERATING EXPENSES

| | 2011 £'000 | 2010 £'000 |
|---------------------------------|---------------|---------------|
| Selling and distribution costs | 3,841 | 4,165 |
| Administrative expenses | 12,752 | 13,491 |
| Exceptional restructuring costs | 343 | 105 |
| | <u>16,936</u> | <u>17,761</u> |

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Depreciation of tangible fixed assets | | |
| - owned by the company | 1,399 | 1,513 |
| - held under finance leases | 98 | 43 |
| Amortisation of publishing rights licence | 335 | 335 |
| Operating lease rentals | | |
| - hire of plant and machinery | 30 | 29 |
| - land and buildings | 61 | 72 |
| Management charge | 916 | 749 |
| (Profit)/loss on disposal of fixed assets | <u>(23)</u> | <u>4</u> |

Audit services for the entire Gannett U K Limited group totalling £248,000 (2010 - £264,000) were borne by Newsquest Media Group Limited in the current and prior period. The company has paid its allocation of the audit fees through the management charge

5. STAFF COSTS

Staff costs were as follows

| | 2011 £'000 | 2010 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 8,907 | 9,697 |
| Social security costs | 768 | 787 |
| Other pension costs | 413 | 1,225 |
| | <u>10,088</u> | <u>11,709</u> |

Included in wages and salaries is a total expense for share-based payments of £46,000 (2010 - £47,000), all of which arises from transactions accounted for as equity-settled share-based payment transactions. Recharges for the intrinsic value of options exercised in 2011 of £42,000 (2010 - £18,000) have been taken directly to reserves

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 25 December 2011

5. STAFF COSTS (CONTINUED)

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

| | No. | No. |
|------------------------|------------|------------|
| Pre-press | 4 | 8 |
| Printing | 52 | 54 |
| Editorial | 124 | 134 |
| Marketing and sales | 105 | 113 |
| Distribution | 42 | 49 |
| Finance and management | 16 | 19 |
| | <u>343</u> | <u>377</u> |

There are also 939 (2010 – 1,126) 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.

Directors' remuneration in 2011 was £nil (2010 - £nil). All emoluments and pension payments made by related companies to directors are dealt with in the financial statements of Newsquest Media Group Limited.

6 INTEREST RECEIVABLE

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| Interest receivable from group undertaking | 4 | - |
| Interest on tax overpayments | 14 | 8 |
| | <u>18</u> | <u>8</u> |

7. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| Interest payable to group undertakings | 25 | 67 |
| Unwind of discount on provisions (note 13) | 20 | 22 |
| | <u>45</u> | <u>89</u> |

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| Analysis of charge in the period: | | |
| Current tax | | |
| UK Corporation tax at 26.5% (2010 – 28%) | - | - |
| Adjustment in respect of prior periods | 5,249 | 2,117 |
| Total current tax (see below) | 5,249 | 2,117 |
| Deferred taxation | | |
| Origination and reversal of timing differences | (566) | (318) |
| Adjustment in respect of prior periods | 1 | 32 |
| Change in the rate of corporation tax | (193) | (101) |
| | <u>4,491</u> | <u>1,730</u> |

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 25 December 2011

8 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The tax charge for the period is different to the standard rate of corporation tax in the UK. The differences are explained below

| Analysis of charge in the period: | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before taxation | 6,852 | 7,198 |
| Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 – 28%) | 1,816 | 2,015 |
| Expenses not deductible for tax purposes | 138 | 120 |
| Depreciation in period in excess of capital allowances | 105 | 133 |
| Utilisation of tax losses | (1,361) | (1,705) |
| Adjustments to tax charge in respect of previous periods | 5,249 | 2,117 |
| Transfer pricing adjustments | (691) | (570) |
| Other timing differences | (7) | 7 |
| | <u>5,249</u> | <u>2,117</u> |

Tax losses arising within the Gannett UK 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.

On 21 March 2012, the UK government confirmed its intention to propose Parliament reduce the main rate of UK corporation tax to 22% by 1 April 2014. This will be achieved by reducing the rate to 24% with effect from 1 April 2012 and to 23% with effect from 1 April 2013. Enactment of the 24% rate occurred on 26 March 2012 and the Finance Bill published on 29 March 2012 included legislation to implement the 23% rate from 1 April 2013. The increase in the company's net assets arising from the reduction in the rate to 22% is estimated to be about £221,000 in total and will be accounted for as the legislation is substantively enacted.

9. INTANGIBLE ASSETS

| | Licences to publishing rights £'000 | Publishing rights £'000 | Total £'000 |
|--|--|-------------------------------|----------------|
| Cost | | | |
| At 25 December 2011 and 26 December 2010 | 69,200 | 31,262 | 100,462 |
| Amortisation | | | |
| At 27 December 2010 | 63,413 | 12,414 | 75,827 |
| Charge for the period | 335 | - | 335 |
| At 25 December 2011 | 63,748 | 12,414 | 76,162 |
| Net book value | | | |
| At 25 December 2011 | 5,452 | 18,848 | 24,300 |
| At 26 December 2010 | 5,787 | 18,848 | 24,635 |

On 31 March 2003 the company purchased a licence to publish the titles owned by Newsquest (Wiltshire) Limited for 25 years for cash consideration of £69,200,000.

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 25 December 2011

10. TANGIBLE FIXED ASSETS

| | Land and buildings £'000 | Plant and equipment £'000 | Construction in progress £'000 | Total £'000 |
|-----------------------|--------------------------------|---------------------------------|--------------------------------------|----------------|
| Cost | | | | |
| At 27 December 2010 | 12,603 | 19,121 | 15 | 31,739 |
| Additions | - | 254 | - | 254 |
| Disposals | (137) | (686) | - | (823) |
| Transfers | - | (16) | - | (16) |
| Reclassifications | - | 15 | (15) | - |
| At 25 December 2011 | 12,466 | 18,688 | - | 31,154 |
| Depreciation | | | | |
| At 27 December 2010 | 3,731 | 7,620 | - | 11,351 |
| Charge for period | 440 | 1,057 | - | 1,497 |
| Disposals | (77) | (641) | - | (718) |
| Transfers | - | (15) | - | (15) |
| At 25 December 2011 | 4,094 | 8,021 | - | 12,115 |
| Net book value | | | | |
| At 25 December 2011 | 8,372 | 10,667 | - | 19,039 |
| At 26 December 2010 | 8,872 | 11,501 | 15 | 20,388 |

Land and buildings at net book value includes freeholds of £8,372,000 (2010 - £8,872,000), of which £165,000 (2010 - £165,000) is freehold land which is not depreciated. Included in construction in progress are costs of £nil (2010 - £nil) in respect of freehold buildings. Also, included within plant and equipment are leased assets with a net book value of £297,000 (2010 - £224,000).

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2011 £'000 | 2010 £'000 |
|------------------------------|---------------|---------------|
| Corporation tax | - | 2,479 |
| Other taxation and security | 4 | 4 |
| Other creditors | 57 | 44 |
| Accruals and deferred income | 102 | 351 |
| | 163 | 2,878 |

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2011 £'000 | 2010 £'000 |
|------------------------------------|---------------|---------------|
| Amounts owed to group undertakings | 22,751 | 23,331 |

The above amount owed to group undertakings is wholly repayable within five years

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 25 December 2011

13. PROVISIONS FOR LIABILITIES

| | Deferred tax £'000 | Post retirement medical costs £'000 | Leasehold property provision £'000 | Total £'000 |
|---|--------------------------|--|---|----------------|
| At 27 December 2010 | 2,600 | 412 | 45 | 3,057 |
| (Credit)/charge for the period | (758) | 10 | 11 | (737) |
| Utilisation | - | (20) | (17) | (37) |
| Unwind of discount on provisions (note 7) | - | 18 | 2 | 20 |
| At 25 December 2011 | <u>1,842</u> | <u>420</u> | <u>41</u> | <u>2,303</u> |

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.

The amounts of provided deferred taxation can be analysed as follows:

| | Provided | |
|--|---------------|---------------|
| | 2011 £'000 | 2010 £'000 |
| Depreciation in excess of capital allowances | 2,354 | 2,648 |
| Other timing differences | (495) | (24) |
| Share based payments | (17) | (24) |
| | <u>1,842</u> | <u>2,600</u> |

No provision is made for tax which would become payable on the sale of intangible assets at the stated amounts as there is no present intention to sell these intangible assets.

Deferred taxation on rolled over capital gains of £818,000 (2010 - £907,000) has not been provided. There is no other unprovided deferred tax.

14. CALLED UP SHARE CAPITAL

| | 2011 £ | 2010 £ |
|---|--------------|--------------|
| Authorised: | | |
| 1,000 ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |
| Allotted, called up and fully paid | | |
| 100 ordinary shares of £1 each | <u>100</u> | <u>100</u> |

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

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15. RESERVES AND RECONCILIATION OF SHAREHOLDERS' FUNDS

| | Share capital £'000 | Share premium account £'000 | Profit and loss account £'000 | Total £'000 |
|--|---------------------------|--------------------------------------|--|----------------|
| At 28 December 2009 | - | 35,000 | (24,740) | 10,260 |
| Profit for the period | - | - | 5,468 | 5,468 |
| Share-based payment | - | - | 47 | 47 |
| Payment to ultimate parent in respect of shares exercised | - | - | (18) | (18) |
| At 26 December 2010 | - | 35,000 | (19,243) | 15,757 |
| Profit for the period | - | - | 2,361 | 2,361 |
| Share-based payment | - | - | 46 | 46 |
| Payment to ultimate parent in respect of shares exercised | - | - | (42) | (42) |
| At 25 December 2011 | - | 35,000 | (16,878) | 18,122 |

Profit and loss account reserve

Included within the profit and loss account is £134,000 (2010 - £134,000) of goodwill written off as a matter of accounting policy. This goodwill would be charged to the profit and loss account on the subsequent disposal of the business to which it relates.

16. OTHER COMMITMENTS

At 25 December 2011 the company had annual commitments under non-cancellable operating leases as follows:

| | Land and buildings | | Plant and machinery | |
|-----------------------|--------------------|---------------|---------------------|---------------|
| Expiry date | 2011 £'000 | 2010 £'000 | 2011 £'000 | 2010 £'000 |
| Within one year | 21 | 13 | 3 | 1 |
| Between 2 and 5 years | 19 | 49 | 27 | 26 |

At 25 December 2011 the company had capital commitments of £nil (2010 - £169,000)

17. 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 Gannett U.K. Limited. Following consultation the Scheme ceased the future accrual of pension benefits with effect from 31 March 2011.

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 of £151,000 (2010 - £1,189,000) 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 to the company is based on pensionable salaries.

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 £262,000 (2010 - £36,000).

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52 weeks ended 25 December 2011

18 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 between 8 and 10 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

| | 2011 No. | 2011 WAEP | 2010 No | 2010 WAEP |
|--|---------------|----------------|----------------|----------------|
| Outstanding at 27 December 2010 and 28 December 2009 | 107,714 | \$49 49 | 101,797 | \$52 34 |
| Granted during the year | - | - | 12,000 | \$15 69 |
| Forfeited during the year | (13,701) | \$69 89 | (2,983) | \$54 47 |
| Exercised ² | (6,200) | \$7 53 | (3,100) | \$7 53 |
| Outstanding at 25 December 2011 ¹ and 26 December 2010 ¹ | <u>87,813</u> | <u>\$49 27</u> | <u>107,714</u> | <u>\$49 49</u> |
| Exercisable at 25 December 2011 and 26 December 2010 | <u>71,013</u> | <u>\$57 58</u> | <u>78,989</u> | <u>\$62 32</u> |

¹ Included in 2010 within this balance are options over 11,251 (2011 nil) shares that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002 These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20

² The weighted average share price at the date of exercise for the options exercised in the year was \$14 45 (2010 - \$16 16)

For the share options outstanding at 25 December 2011, the weighted average contractual life is 3 48 years (2010 4 16 years)

The weighted average fair value of options granted during the prior year was \$7 53 (2011 - \$nil) The range of exercise prices for options outstanding at the end of 2011 and 2010 was \$7 53 - \$87 33

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 following table lists the inputs to the model for the years ended 25 December 2011 and 26 December 2010

| | 2011 | 2010 |
|-------------------------------------|------|--------|
| Dividend yield (%) | - | 1 00% |
| Expected share price volatility (%) | - | 62 24% |
| Risk-free interest rate (%) | - | 1 98% |
| Expected life of options (years) | - | 4 5 |
| Weighted average share price | - | \$7 53 |

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

NEWSQUEST (OXFORDSHIRE & WILTSHIRE) LIMITED

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52 weeks ended 25 December 2011

18. SHARE-BASED PAYMENTS (CONTINUED)

Chairman's Award Scheme

Out of the 2001 Omnibus Incentive Compensation Plan discretionary shares have been awarded to certain employees. Title to the shares passes to the employee on expiration of the four year incentive period provided that the employee remains in service with the group.

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

| | 2011 No. | 2011 WASP | 2010 No. | 2010 WASP |
|--|-------------|----------------|-------------|----------------|
| Outstanding at 27 December 2010 and 28 December 2009 | 150 | \$16.91 | 275 | \$32.91 |
| Matured during the year | - | - | (125) | \$52.12 |
| Outstanding at 25 December 2011 and 26 December 2010 | <u>150</u> | <u>\$16.91</u> | <u>150</u> | <u>\$16.91</u> |

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.

| | 2011 No. | 2011 WASP | 2010 No. | 2010 WASP |
|--|----------------|----------------|---------------|----------------|
| Outstanding at 27 December 2010 and 28 December 2009 | 15,760 | \$15.15 | 11,670 | \$14.75 |
| Granted during the year | - | - | 4,520 | \$15.69 |
| Forfeited during the year | (1,920) | \$15.16 | (430) | \$10.15 |
| Matured during the year | <u>(1,850)</u> | <u>\$35.84</u> | - | - |
| Outstanding at 25 December 2011 and 26 December 2010 | <u>11,990</u> | <u>\$11.95</u> | <u>15,760</u> | <u>\$15.15</u> |

19. 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.

20. 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, Mandy, Cardiff, CF14 3UZ.