

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of
1934

Date of Report: October 4, 1999

GANNETT CO., INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	1-6961 (Commission File Number)	16-0442930 (IRS Employer Identification No.)
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1100 Wilson Boulevard, Arlington, Virginia 22234
(Address of principal executive offices) (Zip Code)

(703) 284-6000
(Registrant's telephone number, including area code)

Amendment No. 1

The company's current report on Form 8-K dated July 27, 1999, is hereby amended and supplemented as follows.

ITEM 7. FINANCIAL STATEMENTS AND PRO FORMA FINANCIAL INFORMATION

The following financial statements and pro forma financial information are hereby filed as part of this report.

(a) Financial Statements of Businesses Acquired

(1) Audited financial statements of Newsquest plc as of and for the 53 weeks ended January 3, 1999.

(b) Pro Forma Financial Information

The following pro forma combining financial statements of Gannett Co., Inc., and Newsquest plc are included in this report:

(1) Unaudited pro forma condensed combined balance sheet as of and unaudited pro forma condensed combined statement of income for the year ended December 27, 1998.

(c) Exhibits

See exhibit index for list of exhibits.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GANNETT CO., INC.

Dated: October 4, 1999

By: /s/ George R. Gavagan

George R. Gavagan
Vice President and Controller

EXHIBIT INDEX

Exhibit Number -----	Title or Description -----
23-1	Consent of Deloitte & Touche.
99-1	Audited consolidated balance sheet of Newsquest plc as of January 3, 1999 and the related consolidated statements of profit and loss, reconciliation of movements in shareholders' funds, and cash flows for the 53 weeks ended January 3, 1999 (pages 21-45 of Newsquest's Annual Report for the 53 weeks ended January 3, 1999).
99-2	Unaudited pro forma condensed combined balance sheet as of December 27, 1998 and the unaudited pro forma condensed combined statement of income for the year ended December 27, 1998.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Form S-3 (Nos. 33-63673, 33-58686 and 33-53159) and in the Registration Statements on Form S-8 (Nos. 2-63038, 2-84088, 33-15319, 33-16790, 33-28413, 3-35305, 33-50813, 33-64959, 333-04459 and 333-03941) of Gannett Co., Inc. of our report dated March 19, 1999, with respect to the financial statements of Newsquest plc as of January 3, 1999 and for the fifty-three weeks then ended, which report appears in the Form 8-K/A of Gannett Co., Inc. dated October 4, 1999.

/s/ Deloitte & Touche

Deloitte & Touche

London, United Kingdom
October 4, 1999

PORTIONS OF NEWSQUEST PLC ANNUAL REPORT

REPORT OF THE AUDITORS

To the members of Newsquest plc

We have audited the financial statements on pages 22 to 45 which have been prepared under the accounting policies set out on page 27. We have also audited the information which is specified by the London Stock Exchange to be audited in respect of Directors' remuneration, share options and pension entitlements and which is set out in the paragraphs headed Directors' emoluments, Directors' share options and Directors' pension arrangements on pages 18 and 19 of the report to shareholders by the Board on Directors' remuneration.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report, including, as described on pages 16 and 17, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 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 or the Listing Rules regarding Directors' remuneration and transactions with the Company and other members of the group is not disclosed.

We review whether the statement on page 15 reflects the compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the corporate governance procedures or the group's internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the group, 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 presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the group as at 3 January 1999 and of the profit of the group for the fifty-three weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors,
Hill House, 1 Little New Street, London EC4A 3TR
19 March 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 53 weeks ended 3 January 1999 (note 1)

	Notes	1998 British Pounds 000's	1997 British Pounds 000's
Turnover			
Continuing operations	1,3	300,829	285,577
Acquisitions		4,967	-
		-----	-----
		305,796	285,577
Cost of sales		(70,407)	(67,870)
		-----	-----
Gross profit		235,389	217,707
Non-recurring costs	4	-	(8,502)
Other operating expenses		(154,039)	(146,212)
		-----	-----
Operating expenses	5	(154,039)	(154,714)
		-----	-----
Operating profit			
Continuing operations		80,467	62,993
Acquisitions		883	-
		-----	-----
	6	81,350	62,993
Profit on sale of business		-	17,729
		-----	-----
Profit on ordinary activities before interest		81,350	80,722
Refinancing costs		(4,793)	(16,648)
Other net interest payable		(15,586)	(32,465)
		-----	-----
Net interest payable	9	(20,379)	(49,113)
		-----	-----
Profit before taxation on ordinary activities		60,971	31,609
Tax charge on profit on ordinary activities	10	(19,206)	(11,914)
		-----	-----
Profit for the financial year		41,765	19,695
Dividends	11	(11,788)	-
		-----	-----
Retained profit		29,977	19,695
		=====	=====

Basic earnings per share (pence)	13	21.2	11.9
		-----	-----
Diluted earnings per share (pence)	13	20.9	11.7
		-----	-----
Adjusted diluted earnings per share (pence)	13	22.5	17.7
		-----	-----

There were no recognised gains or losses 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.

CONSOLIDATED BALANCE SHEET

At 3 January 1999 (note 1)

	Notes	1998 British Pounds 000's	1998 British Pounds 000's	1997 British Pounds 000's	1997 British Pounds 000's
Fixed assets					
Intangible assets	14		329,634		319,962
Tangible assets	15		67,304		66,578
Investments	16		302		221
			<u>397,240</u>		<u>386,761</u>
Current assets					
Stocks	17	1,854		2,099	
Debtors	18	40,766		45,056	
Pension prepayment due after one year	27	1,579		2,759	
Cash at bank and in hand		59		3,484	
		<u>44,258</u>		<u>53,398</u>	
Creditors					
Amounts falling due within one year	19	(79,898)		(53,936)	
Net current liabilities			<u>(35,640)</u>		<u>(538)</u>
Total assets less current liabilities			361,600		386,223
Creditors					
Amounts falling due after more than one year	20		(129,968)		(177,461)
Provisions for liabilities and charges	22		(5,241)		(4,539)
Net assets			<u>226,391</u>		<u>204,223</u>
Capital and reserves					
Called up share capital	23		1,964		2,000
Share premium	24		249,826		249,572
Capital redemption reserve	24		831		794
Profit and loss account	24		(26,230)		(48,143)
Equity shareholders' funds			<u>226,391</u>		<u>204,223</u>

The financial statements on pages 22 to 45 were approved by the Board of Directors on 19 March 1999 and were signed on its behalf by

J T Brown
J C Pfeil

COMPANY BALANCE SHEET

At 3 January 1999 (note 1)

	Notes	1998 British Pounds 000's	1998 British Pounds 000's	1997 British Pounds 000's	1997 British Pounds 000's
Fixed assets					
Investments	16		205,892		205,922
Current assets					
Debtors	18	101,234		61,665	
Cash at bank and in hand		9		-	
		<u>101,243</u>		<u>61,665</u>	
Creditors					
Amounts falling due within one year	19	(9,366)		(221)	
		<u> </u>		<u> </u>	
Net current assets			91,877		61,444
			<u> </u>		<u> </u>
Net assets			297,769		267,366
			<u> </u>		<u> </u>
Capital and reserves					
Called up share capital	23		1,964		2,000
Share premium	24		249,826		249,572
Capital redemption reserve	24		831		794
Profit and loss account	24		45,148		15,000
			<u> </u>		<u> </u>
Equity shareholders' funds			297,769		267,366
			<u> </u>		<u> </u>

The financial statements on pages 22 to 45 were approved by the Board of Directors on 19 March 1999 and were signed on its behalf by

J T Brown
J C Pfeil

CONSOLIDATED CASH FLOW STATEMENT

For the 53 weeks ended 3 January 1999 (note 1)

	Notes	1998 British Pounds 000's	1997 British Pounds 000's
Cash flow from operating activities	28	99,193	76,068
Returns on investments and servicing of finance	29A	(18,292)	(45,852)
Taxation paid	29B	(4,821)	(1,704)
Capital expenditure and financial investment	29C	(12,573)	(8,417)
Acquisitions and disposals	29D	(6,975)	41,497
Equity dividends paid		(3,946)	-
		-----	-----
Net cash inflow before use of liquid resources and financing		52,586	61,592
Management of liquid resources	29E	2,000	(2,000)
Financing	29F	(57,733)	(68,415)
		-----	-----
Decrease in cash		(3,147)	(8,823)
		=====	=====

RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT

	Notes	1998 British Pounds 000's	1997 British Pounds 000's
Decrease in cash		(3,147)	(8,823)
Cash outflow from reduction in debt		49,924	164,915
Loan Notes issued as settlement for acquisitions		(2,400)	-
Movements in liquid resources		(2,000)	2,000
		-----	-----
Change in net debt resulting from cash flows		42,377	158,092
Exchange movements		-	3,567
		-----	-----
Decrease in net debt		42,377	161,659
Net debt at 28 December 1997		(177,430)	(339,089)
		-----	-----
Net debt at 3 January 1999	31	(135,053)	(177,430)
		=====	=====

Net debt is stated gross of deferred financing fees (note 20).

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the 53 weeks ended 3 January 1999 (note 1)

	1998 British Pounds 000's	1997 British Pounds 000's
Profit for the financial year	41,765	19,695
Dividends	(11,788)	-
Repurchases of share capital	(8,064)	-
Net proceeds from shares issued	255	96,500
Goodwill arising on acquisition of Newsquest Capital plc and Westminster Press	-	(4,359)
Goodwill written back on disposal of Newsquest (Wessex)	-	2,477
	-----	-----
Net additions to shareholders' funds	22,168	114,313
Opening shareholders' funds	204,223	89,910
	-----	-----
Closing shareholders' funds	226,391	204,223
	=====	=====

NOTES TO THE ACCOUNTS

53 weeks ended 3 January 1999

1. ACCOUNTING POLICIES

The consolidated financial statements of Newsquest plc and its subsidiaries have been prepared in accordance with Accounting Standards currently applicable in the United Kingdom.

The significant accounting policies adopted are as follows:

Basis of Accounting

The accounts have been prepared under the historical cost convention.

Consolidation and accounting period

The consolidated accounts consolidate the financial statements of Newsquest plc and all of its subsidiaries. The profit and loss accounts cover the 53 weeks from 29 December 1997 to 3 January 1999 and the 52 weeks from 30 December 1996 to 28 December 1997. The balance sheets for 1998 and 1997 have been drawn up at 3 January 1999 and 28 December 1997 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 sale or distribution. All turnover is derived from the Group's principal activity being printing and publishing. All turnover arises in the United Kingdom.

Development expenditure

Development expenditure incurred on the launch of new titles and the establishment of Internet sites is expensed to the profit and loss account as incurred.

Investments

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

Goodwill

On the acquisition of a subsidiary company or associated company, the purchase consideration is allocated between the underlying net tangible and intangible assets on a fair value basis. Goodwill on acquisitions after 29 December 1997 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 29 December 1997 has been written off against profit and loss reserve as a matter of accounting policy and the comparative figures in the accounts have been revised to reflect this. This goodwill will be charged to the profit and loss account in the event of the disposal of the business to which it relates.

Cash

Cash consists of cash in hand and deposits repayable on demand with a period of maturity of not more than one working day.

Intangible fixed assets

Publishing rights and titles are stated at fair value on acquisition, based on the operating profits derived from them, and are not subsequently revalued. Publishing rights or titles have historically had lives in excess of 20 years and the Directors do not foresee the end of their economic life, and, consequently, are treated as having an indefinite economic life. Having an indefinite economic life, no systematic amortisation is applied. Intangible assets are reviewed for impairment annually, and provision is made for any impairment in value. Internally developed intangibles are not carried on the balance sheet.

Tangible fixed assets

Land and buildings, plant and equipment are stated in the balance sheet at cost less accumulated depreciation. No depreciation is provided on land. Freehold buildings, long leases and plant and equipment are depreciated over their estimated future useful lives, on a straight line basis at rates from 2%-50%. Short leases are written off over the duration of the lease.

Operating leases

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

Stocks

Stocks are stated at the lower of cost, on a first in first out basis, and estimated net realisable value.

Taxation

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

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

Pensions

The group operates a defined benefit pension scheme. The expected costs of pensions in respect of the Scheme are charged to the profit and loss account so as to spread the costs over the service lives of employees in the Scheme. Actuarial surpluses and deficits are allocated over the average expected remaining service lives of employees. Pension costs are assessed in accordance with the advice of qualified actuaries.

Vacant property

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

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at the date or, where appropriate, at the rate of exchange specified in a matching forward contract or currency swap. Any translation differences arising are dealt with in the profit and loss account.

2. ACQUISITIONS AND DISPOSALS

Acquisitions

During 1998 Newsquest purchased Kinsman Reeds Limited (May 1998), Property Weekly Limited (March 1998), Review Free Newspapers Limited (July 1998) and publishing rights, all of which have been accounted for using acquisition accounting. The book and fair values of these businesses were as follows:

	Book value British Pounds 000's	Fair value adjustment British Pounds 000's	Fair value British Pounds 000's
Fixed assets:			
Intangible assets	2,521	7,151	9,672
Tangible assets	126	-	126
	-----	-----	-----
	2,647	7,151	9,798
Debtors	1,152	-	1,152
Cash at bank and in hand	33	-	33
Loans and overdrafts	(626)	-	(626)
Trade and other creditors	(1,475)	(68)	(1,543)
Corporation Tax	14	(46)	(32)
	-----	-----	-----
Net assets acquired	1,745	7,037	8,782
	=====	=====	=====
Consideration:			
Cash			6,382
Loan Notes			2,400

			8,782
			=====

The principal fair value adjustments were to reflect the valuation of publishing rights acquired and property and taxation liabilities.

Cost of sales includes GBP 2,856,000 and operating expenses GBP 1,228,000 in respect of these acquisitions.

Disposals

In 1997 the group disposed of Newsquest (Wessex). The results for 1997 include turnover of GBP 6,628,000 and operating profit of GBP 1,466,000 in respect of Newsquest (Wessex).

3. TURNOVER

Set out below is an analysis of turnover by type of revenue, showing separately the effect of acquisitions and disposals.

	1998 53 weeks British Pounds 000's	1997 52 weeks British Pounds 000's
Display advertising:		
National	19,871	18,649
Local	55,398	52,418
	----- 75,269	----- 71,067
Classified advertising:		
Motors	35,653	32,813
Property	36,054	33,049
Recruitment	60,068	52,222
Other	37,413	35,682
	----- 169,188	----- 153,766

3. TURNOVER (continued)

	1998	1997
	53 weeks	52 weeks
	British	British
	Pounds	Pounds
	000's	000's
Total advertising	244,457	224,833
Circulation	37,698	36,693
Direct marketing	11,545	10,211
Contract printing	1,193	2,287
Other, including Internet revenues	5,936	4,925
	-----	-----
Acquisitions	300,829	278,949
Disposals	4,967	-
	-	6,628
	-----	-----
Turnover	305,796	285,577
	=====	=====

4. NON-RECURRING COSTS

	1998	1997
	British	British
	Pounds	Pounds
	000's	000's
Monitoring fees	-	344
Costs associated with listing on the London Stock Exchange	-	7,135
Non-recurring pensions charge	-	1,023
	-----	-----
	-	8,502
	=====	=====

5. OPERATING EXPENSES

	1998	1997
	British	British
	Pounds	Pounds
	000's	000's
Distribution costs	48,211	45,602
Administrative expenses	105,828	109,112
	-----	-----
	154,039	154,714
	=====	=====

Administrative expenses include non-recurring costs (note 4).

6. OPERATING PROFIT

	1998 British Pounds 000's	1997 British Pounds 000's
Operating profit is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets:		
Owned assets	12,086	12,271
Profit on disposal of tangible fixed assets	(501)	(180)
Operating lease rentals:		
Land and buildings	2,764	3,042
Plant and equipment	281	404
Restructuring costs	993	1,016
Audit fees	190	180
Auditors' remuneration - non-audit services	259	386
Exceptional pension charge	-	1,023
	=====	=====

Other amounts payable to auditors not included above were GBP 132,400 (1997 - GBP 624,700).

7. STAFF COSTS

	1998 British Pounds 000's	1997 British Pounds 000's
Wages and salaries	85,433	81,447
Social security costs	8,193	6,918
Other pension costs	3,429	3,932
	-----	-----
	97,055	92,297
	=====	=====

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

	1998 Number	1997 Number
Pre-press and printing	1,146	1,266
Editorial	1,427	1,436
Marketing and sales	1,905	1,854
Distribution	681	690
Finance and management	584	582
	-----	-----
	5,743	5,828
	=====	=====

8. DIRECTORS' REMUNERATION

The emoluments of the Directors are given in the Report of the Board on Remuneration on pages 18 to 19.

9. INTEREST

	1998 British Pounds 000's	1997 British Pounds 000's
Refinancing costs comprise of:		
Premium on redemption of US\$ Loan Notes	4,024	4,550
Deferred financing fees written off	1,093	8,408
Swap termination costs net of related gains	(324)	3,690
	-----	-----
	4,793	16,648
	=====	=====

Other net interest costs comprise:		
Interest receivable	(200)	(1,108)
Interest payable and similar charges:		
Bank loans	8,372	17,114
Amortisation of deferred financing fees	838	2,287
Other loans and similar charges	6,576	14,172
	-----	-----
	15,586	32,465
	=====	=====

Amortisation of deferred financing fees relates to professional costs and finance fees incurred on the issue of the US\$ Loan Notes and establishment of long-term bank loans.

10. TAXATION

	1998 British Pounds 000's	1997 British Pounds 000's
UK Corporation Tax at 31% (1997 - 31.5%)		
Current	20,053	13,719
Deferred taxation credit	(549)	(737)
Adjustment to prior years Corporation Tax	(1,549)	(773)
Adjustment to prior years deferred taxation	1,251	(295)
	-----	-----
	19,206	11,914
	=====	=====

The adjustment to prior years deferred taxation for the 53 weeks ended 3 January 1999 includes a credit of GBP 147,000 arising as a result of the change in the Corporation Tax rate from 31% to 30%.

11. DIVIDENDS

	1998 British Pounds 000's	1997 British Pounds 000's
Interim dividend of 2p per share paid	3,952	-
Proposed final dividend of 4p per share	7,836	-
	-----	-----
	11,788	-
	=====	=====

Dividends are stated net of dividends receivable of GBP 28,000 on shares held by Newsquest Employee Trustees Limited where the relevant incentive scheme does not entitle the participant to dividends.

12. PROFIT FOR THE FINANCIAL YEAR

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented as part of these financial statements. The parent Company profit for the financial year was GBP 50,000,000 (1997 - GBP 15,000,000).

13. EARNINGS PER SHARE

	1998 Pence	1997 Pence
Basic earnings per share	21.2	11.9
Diluted earnings per share	20.9	11.7
Adjusted diluted earnings per share	22.5	17.7

Earnings per share information has been restated in accordance with FRS 14, "Earnings Per Share". The weighted average number of ordinary shares in issue in 1997 for the period prior to Listing is based on the number of shares the A, B, C, D and E ordinary shares respectively were converted into immediately prior to Listing.

Adjusted diluted earnings per share is calculated using the adjusted profits set out below, and is provided to give a more meaningful measure of performance. This adjusts 1998's results for the refinancing costs incurred on redeeming US\$ Loan Notes. It adjusts 1997's results for the disposal of Newsquest (Wessex), the proceeds of Listing and the changes in the group's capital structure from new banking arrangements and the repurchase of US\$ Loan Notes as if they had occurred on 1 January 1997. Therefore adjusted diluted earnings per share assumes that all shares issued for the Listing were in issue for a full year.

The numbers of shares and earnings used to calculate earnings per share information is set out below:

	1998 Number of shares	1997 Number of shares
Basic weighted average number of shares	197,120,481	165,809,893
Diluted weighted average number of shares	200,241,167	168,240,819
Adjusted earnings per share weighted average number of shares	200,241,167	200,548,511

	1998 British Pounds 000's	1997 British Pounds 000's
Profit after taxation (used to calculate earnings per share and diluted earnings per share)	41,765	19,695
Refinancing costs net of taxation	3,307	11,404
Disposal of Newsquest (Wessex) net of taxation	-	(11,550)
Non-recurring costs, Listing and capital structure net of taxation	-	15,997
	-----	-----
Earnings used to calculate adjusted diluted earnings per share	45,072 =====	35,546 =====

14. INTANGIBLE FIXED ASSETS

	1998 British Pounds 000's	1997 British Pounds 000's
Publishing rights and titles		
Cost		
At beginning of year	319,962	332,376
Acquisitions (note 2)	9,672	-
Divestments	-	(12,414)
	-----	-----
At end of year	329,634	319,962
	=====	=====

15. TANGIBLE FIXED ASSETS

	Land and buildings British Pounds 000's	Plant and equipment British Pounds 000's	Total 000's
Cost			
At 29 December 1997	32,328	112,036	144,364
Additions	20	13,521	13,541
Transfers	(510)	510	-
Acquisitions	14	228	242
Disposals	(220)	(6,997)	(7,217)
	-----	-----	-----
At 3 January 1999	31,632	119,298	150,930
	-----	-----	-----
Accumulated depreciation			
At 29 December 1997	7,335	70,451	77,786
Charge for the year	892	11,194	12,086
Transfers	(110)	110	-
Acquisitions	2	114	116
Disposals	(67)	(6,295)	(6,362)
	-----	-----	-----
At 3 January 1999	8,052	75,574	83,626
	-----	-----	-----
Net book value			
At 3 January 1999	23,580	43,724	67,304
	=====	=====	=====
At 28 December 1997	24,993	41,585	66,578
	=====	=====	=====

The net book value of land and buildings stated at cost comprises:

	1998 British Pounds 000's	1997 British Pounds 000's
Freehold property	14,200	15,767
Leasehold property, more than 50 years unexpired	7,588	7,821
Leasehold property, less than 50 years unexpired	1,792	1,405
	-----	-----
	23,580	24,993
	=====	=====

Included in land and buildings is land with a cost of GBP 2,508,000 (1997 - GBP 2,908,000), which is not depreciated.

16. INVESTMENTS

Group	Other investments British Pounds 000's	Own shares British Pounds 000's	Total 000's
Cost			
At 29 December 1997	110	221	331
Additions	201	-	201
Disposals	-	(30)	(30)
	-----	-----	-----
At 3 January 1999	311	191	502
	=====	=====	=====
Provisions			
At 29 December 1997	110	-	110
Charge in year	90	-	90
	-----	-----	-----
At 3 January 1999	200	-	200
	=====	=====	=====
Net book value			
At 3 January 1999	111	191	302
	=====	=====	=====
At 28 December 1997	-	221	221
	=====	=====	=====

Company	Investments in subsidiaries British Pounds 000's	Own shares British Pounds 000's	Total 000's
Cost and net book value			
At 29 December 1997	205,701	221	205,922
Disposals	-	(30)	(30)
	-----	-----	-----
At 3 January 1999	205,701	191	205,892
	=====	=====	=====

Other investments comprise investments in unlisted companies.

The investments in own shares relates to 1,882,357 (1997 - 1,882,357) ordinary shares held to satisfy obligations under employee share ownership schemes. At 3 January 1999 beneficial ownership had been conditionally granted over 1,862,028 (1997 - 1,862,028) shares, of which beneficial owners of 1,410,906 (1997 - 1,410,906) shares were entitled to dividends. The shares, whilst legally not the property of the Company, have been included within investments.

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 3 January 1999 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	Publishing
Newsquest (Kendal)	Publishing
Newsquest (Lancashire) Limited	Publishing
Newsquest (London) Limited	Publishing
Newsquest (Midlands South) Limited	Publishing
Newsquest (North East) Limited	Publishing
Newsquest (Oxford) Limited	Printing and publishing
Newsquest (Sussex) Limited	Printing and publishing
Newsquest (Wiltshire) Limited	Printing and publishing
Newsquest (York) Limited	Printing and publishing

*Only Newsquest Capital plc is owned directly by the Company.

17. STOCKS

	1998 British Pounds 000's	1997 British Pounds 000's
Raw materials and consumables	1,854 =====	2,099 =====

18. DEBTORS

	Group		Company	
	1998 British Pounds 000's	1997 British Pounds 000's	1998 British Pounds 000's	1997 British Pounds 000's
Trade debtors	37,158	40,293	-	-
Amounts owed by group companies	-	-	99,364	61,665
Corporation Tax	-	-	1,870	-
Other debtors	788	1,855	-	-
Prepayments and accrued income	2,820	2,908	-	-
	----- 40,766 =====	----- 45,056 =====	----- 101,234 =====	----- 61,665 =====

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1998 British Pounds 000's	1997 British Pounds 000's	1998 British Pounds 000's	1997 British Pounds 000's
Bank overdrafts	1,722	-	-	-
Other loans	1,900	-	-	-
Trade creditors	5,515	5,129	-	-
Amounts owed to group companies	-	-	196	221
Corporation Tax payable	30,414	16,699	1,328	-
Other taxation and social security	7,389	7,906	-	-
Other creditors	8,205	7,183	6	-
Accruals and deferred income	16,917	17,019	-	-
Proposed final dividend	7,836	-	7,836	-
	----- 79,898 =====	----- 53,936 =====	----- 9,366 =====	----- 221 =====

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

		1998 British Pounds 000's	1997 British Pounds 000's
Bank loans	Currency		
Revolving credit facility	Sterling	101,000	120,000
Loan Notes			
US\$ Loan Notes	Dollars	30,490	60,914
		-----	-----
Total bank loans and loan notes		131,490	180,914
Less: deferred financing fees		(1,522)	(3,453)
		-----	-----
		129,968	177,461
		=====	=====

Bank loans and committed facilities

The Revolving Credit Facility is a five year GBP 250 million facility guaranteed by the principal subsidiaries of the group that expires in 2002. Interest is payable at rates based on LIBOR. At 3 January 1999 there were undrawn committed borrowing facilities of GBP 145.4 million, which expire in more than 2 years.

20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR
(continued)

US\$ Loan Notes

The US\$ Loan Notes are issued by Newsquest Capital plc and guaranteed by Newsquest Media Group Limited. At the end of the year the aggregate indebtedness for the US\$ Loan Notes was US\$51.055 million (1997 - US\$102 million). During 1998 \$50.945 million of the US\$ Loan Notes were repurchased. Newsquest Capital plc has the option to redeem the US\$ Loan Notes on 1 May 2001 at a 5.5% premium.

The group has a hedge related to its foreign currency exposure arising from the US dollar denominated loan notes. The cross currency swap exchanges the principal and interest arising on the US\$ Loan Notes to 2001 into sterling. The resulting effective interest rate is 12%.

The currency swap acts as a hedge in respect of US\$ Loan Notes. Consequently the interest rate differential is accrued as a net interest expense. No unrealised gains or losses on these swaps are recognised separately as they are offset by the complementary gains or losses on the underlying transactions hedged by the swap. On termination of a swap any gain or loss arising is expensed in the profit and loss account.

Analysis by year of repayment as at 3 January 1999	Bank borrowings British Pounds 000's	US\$ Loan Notes British Pounds 000's	Deferred financing costs British Pounds 000's	Total British Pounds 000's
Between 2 and 3 years	-	30,490*	(941)	29,549
Between 3 and 4 years	101,000	-	(581)	100,419
	-----	-----	-----	-----
	101,000	30,490	(1,522)	129,968
	=====	=====	=====	=====

* Redemption in 2001 is at the Company's option. The final redemption date of the US\$ Loan Notes is in 2006.

21. FINANCIAL INSTRUMENTS

Details of the group's policy for managing currency, liquidity and interest rate risk are set out in the Operating and Financial Review on pages 9 to 12. In the following numerical disclosures short-term debtors and creditors are excluded.

Interest rate risk profile

In addition to the cross currency swap referred to above, Newsquest has entered into four interest rate swaps which convert floating rate debt to fixed rate debt. The interest rate swaps affect GBP 40 million of debt, although GBP 10 million does not come into effect until March 1999. After taking account of these instruments, the interest rate profile of the group's financial liabilities, all of which are effectively in sterling, at 3 January 1999, was:

	Weighted average interest rate	Weighted average period for which rate is fixed	Total British Pounds 000's	Floating rate financial liabilities British Pounds 000's	Fixed rate financial liabilities British Pounds 000's	Financial liabilities on which no interest is paid British Pounds 000's
	%	Years				
US\$ Loan Notes	12.0	2.3	30,490	-	30,490	-
Swapped debt	6.9	3.8	40,000	10,000	30,000	-
Fixed rate debt	7.1	0.5	1,200	-	1,200	-
Floating rate debt	6.9	N/A	63,422	63,422	-	-
			135,112	73,422	61,690	-
Other financial liabilities			6,806	-	-	6,806
			141,918	73,422	61,690	6,806
			=====	=====	=====	=====

Floating rate financial liabilities comprise sterling bank borrowings that bear interest at rates linked to LIBOR. The group has no financial assets other than short-term debtors, and immaterial amounts of cash at bank and unquoted trade related investments.

21. FINANCIAL INSTRUMENTS (continued)

Fair values

Set out below is a comparison of book values and fair values of the group's financial assets and liabilities as at 3 January 1999. Fair values have been derived from market values:

	Book value British Pounds 000's	Fair value British Pounds 000's
Primary financial instruments held or issued to finance the group's operations:		
Short-term financial liabilities and current portion of long-term borrowings	3,622	3,622
Long-term borrowings	129,968	134,843
Financial (assets) and liabilities	6,636	6,636
Derivative financial instruments held to manage the interest rate and currency profile:		
Interest rate swap liabilities	-	1,077
Cross currency contract liabilities	-	129

Gains and losses on hedges

The group uses interest rate swaps and a cross currency swap to reduce its financial risks. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. Set out below is an analysis of these unrecognised gains and losses:

	Gains British Pounds 000's	Losses British Pounds 000's	Total net gains/ (losses) British Pounds 000's
Unrecognised gains and losses on hedges at 29 December 1997	784	-	784
Gains and losses arising in previous years that were recognised in 1998	-	-	-
	-----	-----	-----
Gains and losses arising before 29 December 1997 that were not recognised in 1998	784	-	784
Gains and losses arising in 1998 that were not recognised in 1998	(784)	(1,206)	(1,990)
	-----	-----	-----
Unrecognised gains and losses on hedges at 3 January 1999	-	(1,206)	(1,206)
	=====	=====	=====

Of which:			
Gains and losses expected to be recognised in 1999	-	(344)	(344)
Gains and losses expected to be recognised in 2000 or later	-	(862)	(862)
	=====	=====	=====

22. PROVISIONS FOR LIABILITIES AND CHARGES

	1998	1997
	British	British
	Pounds	Pounds
	000's	000's
Deferred taxation liability		
At 29 December 1997	4,539	5,573
Disposals	-	(2)
Provided/(released) in the year	702	(1,032)
	-----	-----
At 3 January 1999	5,241	4,539
	=====	=====

The deferred taxation balance can be analysed as follows:

	1998	1997
	British	British
	Pounds	Pounds
	000's	000's
Capital allowances in excess of depreciation	5,948	5,901
Other timing differences	(707)	(1,362)
	-----	-----
	5,241	4,539
	=====	=====

The amount of deferred taxation not provided at 3 January 1999 in respect of tax rolled-over on capital gains was GBP 2,760,000 (1997 - GBP 2,995,000).

23. SHARE CAPITAL

The share capital of the Company comprises:

	1998 Number	1998 British Pounds 000's	1997 Number	1997 British Pounds 000's
Authorised Ordinary shares of GBP 0.01 each	270,000,000	2,700	270,000,000	2,700
Issued and fully paid Ordinary shares of GBP 0.01 each	196,372,957	1,964	200,000,000	2,000

During the year the Company issued 107,957 shares (with a nominal value of GBP 1,080) to satisfy the exercise of options for a total consideration of GBP 255,000. During the year the Company repurchased and cancelled 3,735,000 shares at prices ranging from GBP 2.07 to GBP 2.20. The weighted average cost of the purchases including expenses was GBP 2.16 per share and the total cost was GBP 8,064,000. At 3 January 1999 the Company had a remaining authority from shareholders to make open market purchases of 16,265,000 shares. At 3 January 1999 options were exercisable over shares as follows:

	Number of shares	Exercise price GBP	Exercise period
Newsquest Employee Savings and Share Option Scheme	1,986,523	1.244	June 2000 to June 2007
Executive Share Option Scheme:	932,680	2.50	October 2000 to October 2007
	18,964	2.90	March 2001 to March 2008
	1,186,123	2.24	August 2001 to August 2008
Parties associated with Glenisla (see note 32)	119,601	2.50	October 1997 to October 2004

24. STATEMENT OF MOVEMENTS ON RESERVES

Group	Capital redemption reserve British Pounds 000's	Share premium account British Pounds 000's	Profit and loss account British Pounds 000's
At 29 December 1997	794	249,572	(48,143)
Issue of shares net of expenses	-	254	-
Repurchase of shares	37	-	(8,064)
Retained profit	-	-	29,977
	-----	-----	-----
At 3 January 1999	831	249,826	(26,230)
	=====	=====	=====

Included in the profit and loss account is GBP 65,428,000 in respect of goodwill arising on acquisitions prior to 28 December 1997 that has been written off as a matter of accounting policy.

Company	Capital redemption reserve British Pounds 000's	Share premium account British Pounds 000's	Profit and loss account British Pounds 000's
At 29 December 1997	794	249,572	15,000
Issue of shares net of expenses	-	254	-
Repurchase of shares	37	-	(8,064)
Retained profit	-	-	38,212
	-----	-----	-----
At 3 January 1999	831	249,826	45,148
	=====	=====	=====

25. LEASING COMMITMENTS

At 3 January 1999 the group had annual commitments under non-cancellable operating leases as follows:

	1998		1997	
	Land and buildings British Pounds 000's	Other British Pounds 000's	Land and buildings British Pounds 000's	Other British Pounds 000's
Expiry of operating leases				
Falling due within one year	44	62	122	72
Falling due within two to five years	506	227	381	220
Falling due after five years	2,066	4	2,435	-
	-----	-----	-----	-----
	2,616	293	2,938	292
	=====	=====	=====	=====

At 3 January 1999 and 28 December 1997 the Company had no leasing commitments.

26. CAPITAL COMMITMENTS

	1998 British Pounds 000's	1997 British Pounds 000's
Contracted but not provided for	645	1,801
	=====	=====

At 3 January 1999 and 28 December 1997 the Company had no capital commitments.

27. PENSION SCHEMES

A funded defined benefits pension scheme, the Newsquest Pension Scheme ("the Scheme"), is operated for all permanent employees over age 16. The trustees of the scheme are responsible for the investment of the Scheme's assets which are held separately from the group. Contributions by members who transferred from the Reed Elsevier scheme are at the rate of 4% of salary and by new members at the rate of 6% of their salary.

Pension costs are assessed with the advice of a qualified actuary and are recognised over the working lives of the members. An actuarial valuation was undertaken as at 6 April 1998 using the projected unit method. The main actuarial assumptions were that real salary growth (relative to price inflation) will be 2% per annum and real investment returns (relative to price inflation) will average 1% per annum above the index-linked gilt yield. Based on the valuation the funding level of the scheme was 137% as at 6 April 1998. The market value of the Scheme's assets at 6 April 1998 was approximately GBP 59.2 million.

The pension cost for the year was GBP 3,429,000 (1997 - GBP 3,925,000). The prepayment as at 3 January 1999 was GBP 1,579,000 (1997 - GBP 2,759,000).

28. NET CASH INFLOW FROM OPERATING ACTIVITIES

	1998	1997
	British	British
	Pounds	Pounds
	000's	000's
Operating profit	81,350	62,993
Profit from sale of tangible fixed assets	(501)	(180)
Depreciation	12,086	12,271
Provisions against investments	90	110
Decrease in stock	245	804
Decrease/(increase) in debtors	5,442	(939)
Decrease in creditors	481	1,009
	-----	-----
Net cash inflow from operating activities	99,193	76,068
	=====	=====

29. ANALYSIS OF CASH FLOWS IN THE CASH FLOW STATEMENT

	1998 British Pounds 000's	1997 British Pounds 000's
29A Returns on investments and servicing of finance		
Interest received	235	1,032
Interest paid	(14,827)	(36,183)
Refinancing costs	(3,700)	(8,240)
Financing fees and expenses	-	(2,461)
	-----	-----
Net cash outflow from returns on investments and servicing of finance	(18,292)	(45,852)
	=====	=====
29B Taxation paid		
UK Corporation Tax paid	(4,821)	(1,704)
	=====	=====
29C Capital expenditure and financial investment		
Payments to acquire investments	(201)	-
Payments to acquire tangible fixed assets	(13,728)	(9,785)
Receipts from sale of tangible fixed assets	1,356	1,368
	-----	-----
Net cash outflow from capital expenditure and financial investment	(12,573)	(8,417)
	=====	=====
29D Acquisitions and disposals		
Purchase of subsidiary undertakings	(6,382)	-
Receipts from sales of investments in subsidiaries	-	17,869
Net indebtedness (acquired)/disposed of with businesses	(593)	16,456
Receipt of cash relating to post completion accounts adjustment	-	8,863
Payment of accrued fees on acquisition	-	(1,691)
	-----	-----
Net cash (outflow)/inflow from acquisitions and disposals	(6,975)	41,497
	=====	=====
29E Management of liquid resources		
Cash withdrawn from/(placed on) short-term deposit	2,000	(2,000)
	=====	=====

29F	Financing		
	Issue of ordinary shares	255	96,500
	Repurchase of ordinary shares	(8,064)	-
	New bank borrowings	-	120,000
	Bank loans repaid	(19,000)	(240,340)
	Other loans repaid	(500)	-
	Purchase of US\$ Loan Notes	(30,424)	(44,575)
		-----	-----
	Net cash outflow from financing	(57,733)	(68,415)
		=====	=====

Reclassifications have been made to the previously reported figures for "Financing" and "Returns on investments and servicing of finance" for comparability.

30. PURCHASE OF SUBSIDIARY UNDERTAKINGS

1998
British
Pounds
000's

Intangible fixed assets	9,672
Tangible fixed assets	126
Debtors	1,152
Cash	33
Bank loans and overdrafts	(626)
Trade and other creditors	(1,543)
Corporation Tax	(32)

	8,782
	=====
Satisfied by:	
Loan Notes	2,400
Cash	6,382

	8,782
	=====

Further details on the group's acquisitions are set out in note 2.

31. ANALYSIS OF NET DEBT

	At 28 December 1997 GBP 000's	Acquisitions (excluding cash and overdrafts)	Cash flow GBP 000's	At 3 January 1999 GBP 000's
Cash at bank and in hand	3,484	-	(3,425)	59
Less deposits treated as liquid resources	(2,000)	-	2,000	-
	-----	-----	-----	-----
	1,484	-	(1,425)	59
Bank overdrafts	-	-	(1,722)	(1,722)
	-----	-----	-----	-----
Net cash per cash flow statement	1,484	-	(3,147)	(1,663)
	-----	-----	-----	-----
Other loans	-	(2,400)	500	(1,900)
Bank loans	(120,000)	-	19,000	(101,000)
US\$ Loan Notes	(60,914)	-	30,424	(30,490)
	-----	-----	-----	-----
Debt financing	(180,914)	(2,400)	49,924	(133,390)
	-----	-----	-----	-----
Liquid resources	2,000	-	(2,000)	-
	-----	-----	-----	-----
Net debt	(177,430)	(2,400)	44,777	(135,053)
	=====	=====	=====	=====

Net debt is stated gross of deferred financing fees (note 20).

32. RELATED PARTIES

Messrs. Gilhuly, Kravis, Navab, Robbins and Stuart are either partners or associates of Kohlberg, Kravis and Roberts ("KKR"), the US venture capital firm. They are Directors of the Company nominated by RRN Associates, Limited Partnership ("RRN"), which held some 36.88% of the issued share capital of the Company at 3 January 1999. They receive fees for acting as Directors as set out in the Report of the Board on Remuneration, and reimbursement of expenses incurred in the performance of the duties as Directors. There is a Relationship Agreement between the Company, RRN and KKR that sets out certain arrangements to ensure the Company can operate independently. Generally these obligations (other than the non-compete undertaking from KKR) under the agreement terminate if RRN holds less than 30% of the Company's issued share capital.

Mr. Richard Munton is a Director of Cinven Limited, and serves as the Director of the Company nominated by them. At 3 January 1999 entities whose funds are managed by Cinven Limited held 12.97% of the issued share capital of the Company. He receives fees for acting as a Director as set out in the Report of the Board on Remuneration, and reimbursement of expenses incurred in the performance of his duties as a Director.

Monitoring fees for management, consulting and certain other services of GBP nil (1997 - GBP 313,074) were paid to KKR and a monitoring fee of GBP nil (1997 - GBP 81,849) was paid to Cinven. These services were terminated in 1997 as the Company engaged new suppliers of these services. A final payment of GBP 1.5 million was paid to KKR and GBP 0.5 million paid to Cinven in respect of these services in 1997.

Glenisla Group Limited ("Glenisla") is an English private limited company linked to KKR. Directors and parties associated with Glenisla hold options over 119,601 shares (1997 - 215,369 shares) at an exercise price of GBP 2.50. Options over 95,768 shares held by these parties were exercised during 1998.

In September 1997 a Shareholders' Agreement was entered into between the Company, RRN, RRN Employee Trustees Limited, certain other parties and six of the group's executive managers. This agreement covers certain aspects of their share ownership and future sales of shares in the Company. A second Shareholders' Agreement was entered into on the same date between the Company, RRN, KKR, Cinven and certain other parties. This agreement sets out certain matters regarding dealings in shares of the Company by the parties to the agreement.

At 3 January 1999 no balances were due to KKR and Cinven (1997 - nil).

33. SUMMARY OF DIFFERENCES BETWEEN UK GAAP AND US GAAP

The consolidated financial statements are prepared in accordance with UK GAAP, which differs in certain significant respects from US GAAP. These differences relate principally to the following items and the approximate effect on profit for the financial year and shareholders' equity is shown in the tables on pages 44 and 45. While this is not a comprehensive summary of all differences between UK GAAP and US GAAP, other differences are considered unlikely to have a significant effect on the consolidated profit for the financial year and shareholders' equity of the Company.

Goodwill and other intangible assets

Under UK GAAP, goodwill arising on business combinations treated as acquisitions prior to 1 January 1998 may be written off against retained earnings. Intangible assets, representing publishing rights and titles, are carried at fair value on acquisition with no systematic amortisation, if they have no definite economic life. The carrying value of these intangible assets is evaluated periodically to determine whether there has been a loss in value, by reviewing current and estimated future earnings and cash flows on an undiscounted basis.

Under US GAAP, the cost of intangible assets acquired after 31 October 1970 is required to be amortised over the period of their estimated useful lives, to a maximum of 40 years.

The amortisation periods for goodwill and the other intangible assets are over their estimated useful life up to a maximum of 40 years. The amortisation periods for publishing rights and titles range from five to 40 years. The gross cost under US GAAP, as at 3 January 1999, of goodwill is GBP 65,428,000 (1997 - GBP 65,428,000) and of other intangibles GBP 329,634,000 (1997 - GBP 319,962,000). Accumulated amortisation under US GAAP, as at 3 January 1999 of goodwill is GBP 3,906,000 (1997 - GBP 2,270,000) and of other intangibles is GBP 19,603,000 (1997 - GBP 11,465,000).

33. SUMMARY OF DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

The Company's management assesses the recoverability of its long-lived assets by determining whether the net book value of the asset can be recovered through projected discounted future cash flows from operations. When future operating cash flows generated are determined not to be sufficient to cover tangible and intangible assets, an impairment charge may need to be recorded. The Company's management continually evaluates the existence of potential impairment by analysing operating results, trends and prospects. Management also takes into consideration any other events or circumstances that might indicate potential impairment. If an impairment charge is required, it is measured based on discounted cash flows of the business being evaluated or fair value, if available. Based upon these evaluations, Newsquest has determined that no impairment of recorded long-lived assets has occurred.

Pensions

The group accounts for pension costs under the rules set out in SSAP 24. The objectives and principles of SSAP 24 are broadly in line with those set out in the US accounting standard for pensions, SFAS 87, "Employers' Accounting for Pensions". However, SSAP 24 is less prescriptive in the application of the actuarial method and assumptions to be applied in the calculation of pension costs.

Deferred taxation

Under UK GAAP, in accordance with Statement of Standard Accounting Practice No. 15, "Accounting for Deferred Tax" deferred taxation is provided at the rates at which tax is expected to become payable. No provision is made for amounts which are not expected to become payable in the foreseeable future. Under US GAAP, deferred taxation is provided on all temporary differences under the liability method, subject to a valuation allowance where applicable in respect of deferred tax assets, in accordance with SFAS 109, "Accounting for Income Taxes". The principal adjustment to apply US GAAP is to provide deferred taxation on temporary differences arising from the amortisation under US GAAP of intangible assets.

Foreign currency

Certain borrowings are denominated in US dollars (note 20). Under UK GAAP, these borrowings have been translated into pounds sterling at the exchange rates fixed under foreign currency swaps. Under US GAAP, these borrowings would be translated at the year end exchange rate.

Exceptional items

Under US GAAP the costs of Listing (principally fees paid to professional advisors), but excluding the costs of termination of certain contracts and the costs of the employee offer included within costs associated with the Listing, are treated as a reduction of the Listing proceeds and cannot be charged to the profit and loss account.

Included in exceptional interest costs is GBP 4,793,000 (1997 - GBP 14,590,000) related to the early repayment of debt which under US GAAP is treated as an extraordinary item.

33. SUMMARY OF DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

Approximate effects on profit for the financial year of differences between UK GAAP and US GAAP:

	1998 British Pounds 000's	1997 British Pounds 000's
Profit for the financial year under UK GAAP	41,765	19,695
US GAAP adjustments:		
Costs associated with Listing	-	3,736
Amortisation of goodwill and other intangibles	(9,774)	(9,697)
Pensions	(1,400)	1,061
Deferred taxation	2,753	1,961
	-----	-----
Profit for the financial year under US GAAP	33,344	16,756
	=====	=====
Comprising:		
Profit before extraordinary items	36,651	26,750
Extraordinary item under US GAAP, net of applicable tax	(3,307)	(9,994)
	-----	-----
	33,344	16,756
	=====	=====

Approximate effects on shareholders' equity of differences between UK GAAP and US GAAP:

	1998 British Pounds 000's	1997 British Pounds 000's
Shareholders' equity under UK GAAP	226,391	204,223
US GAAP adjustments:		
Net book value of goodwill	61,522	63,158
Accumulated amortisation on intangibles	(19,603)	(11,465)
Pensions	(800)	600
Deferred taxation	6,121	3,368
	-----	-----
Shareholders' equity under US GAAP	273,631	259,884
	=====	=====

Cash flow information

Cash flows under UK GAAP differ in certain presentational respects from the format required under SFAS 95. Under UK GAAP, cash paid or received for interest and Corporation Tax are presented separately from operating activities and dividends paid are presented separately from financing activities. Under SFAS 95, cash flows from operating activities are based on the net income, which includes interest and income taxes, whilst dividends paid would be included within financing activities.

Under US GAAP, the following amounts would be reported:

	1998 British Pounds 000's	1997 British Pounds 000's
Net cash provided by operating activities	76,080	28,512
Net cash (used in)/provided by investing activities	(19,548)	33,080
Net cash used in financing activities	(61,679)	(68,415)
Net decrease in cash and cash equivalents	(5,147)	(6,823)
Net cash and cash equivalents under US GAAP	(1,663)	3,484

33. SUMMARY OF DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

Pensions

The following table sets out the funded status of the Newsquest Pension Scheme under SFAS 87:

	1998 British Pounds 000's	1997 British Pounds 000's
Total accumulated and vested benefit obligation	(54,300)	(48,970)
	=====	=====
Projected benefit obligation	(64,200)	(52,328)
Plan assets at fair value	60,700	52,440
	-----	-----
Plan assets in excess of projected benefit obligation	(3,500)	112
Unrecognised net losses	4,300	3,267
	-----	-----
Prepaid pension cost	800	3,379
	=====	=====

The principal assumptions used to determine the funded status were:

	1998	1997
Discount rate	4.75%	6.5%
Salary increases	4.25%	5.5%
Investment return	7.00%	8.0%

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On June 24, 1999, Gannett U.K. Limited ("Gannett UK"), a newly formed wholly-owned subsidiary of Gannett Co., Inc. ("Gannett"), made a cash offer to acquire the entire issued and to be issued share capital of Newsquest plc ("Newsquest"). Pursuant to the Offer, Newsquest shareholders were offered 460 pence (US \$7.26) in cash or Loan Notes for each of 200.4 million fully diluted shares, for a total price of approximately 922 million pounds sterling (US \$1.5 billion). Additionally, Gannett agreed to assume or retire Newsquest's existing debt. On July 26, 1999, pursuant to the Offer Document, Gannett UK declared the Offer unconditional in all respects. As of October 4, 1999, Gannett UK effectively owns 100% of Newsquest shares. The acquisition will be recorded under the purchase method of accounting and Newsquest's results of operations will be included in the company's financial statements beginning in the third quarter.

The accompanying unaudited pro forma condensed combined balance sheet presents the financial position of Gannett Co., Inc. and Newsquest as of December 27, 1998, assuming that the acquisition of Newsquest occurred as of that date. Such pro forma information is based on the historical balance sheets of Gannett at December 27, 1998 and of Newsquest at January 3, 1999.

As required by Rule 11-02 of Regulation S-X, the unaudited pro forma condensed combined statement of income has been prepared assuming that the proposed merger occurred as of the beginning of the period presented. The unaudited condensed combined statement of income reflects the historical results of operations for Gannett and Newsquest for their respective 1998 fiscal years.

The unaudited pro forma condensed combined financial statements give effect to certain pro forma adjustments which are described in the notes to these statements. The unaudited pro forma condensed combined financial statements do not reflect any operating synergies anticipated by Gannett as a result of the acquisition.

The unaudited pro forma condensed combined results are presented for informational purposes only and are not necessarily indicative of the results of operations or financial position which would have been achieved had the transaction been completed as of the beginning of the period presented, nor is it necessarily indicative of Gannett's future results of operations or financial position.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the historical financial statements of Gannett and Newsquest, including the related notes thereto.

EXHIBIT 99-2

Gannett Co., Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
December 27, 1998
(in thousands of dollars)

	Gannett	Newsquest	Pro forma adjustments	Pro forma combined
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ASSETS				
Current assets				
Cash and marketable securities	\$ 66,187	\$ 98	\$	\$ 66,285
Accounts receivable, net	717,159	67,594		784,753
Inventories	87,176	3,074		90,250
Prepaid expenses and other current assets	35,863	2,618		38,481
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Total current assets	906,385	73,384		979,769
Property, plant and equipment, net	2,063,783	111,597		2,175,380
Excess of acquisition cost over the value of assets acquired, net	3,794,601	546,566	1,196,852 (1)	5,538,019
Other assets	214,711	501		215,212
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Total assets	\$6,979,480	\$ 732,048	\$1,196,852	\$8,908,380
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Current maturities of
long-term debt

\$ 7,812

\$ 3,150

\$

\$ 10,962

Accounts payable and
current portion of
film contracts payable

312,283

37,856

350,139

Accrued expenses
and other current
liabilities

345,687

28,050

70,969 (2)

444,706

Dividends payable

55,790

12,994

68,784

Income taxes

6,395

50,429

56,824

Total current liabilities

727,967

132,479

70,969

931,415

Deferred income taxes	442,359	8,690	(1,492) (3)	449,557
Long-term debt, less current portion	1,306,859	215,500	1,502,754 (4)	3,025,113
Postretirement medical and life insurance liabilities	308,145			308,145
Other long-term liabilities	214,326			214,326
Total shareholders' equity	3,979,824	375,379	(375,379) (5)	3,979,824
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Total liabilities and shareholders' equity	\$6,979,480	\$ 732,048	\$1,196,852	\$8,908,380
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(A) This pro forma balance sheet includes Gannett's historical balances at December 27, 1998, and Newsquest's historical balances at January 3, 1999.

(B) For comparability, Newsquest results have been reclassified to conform with Gannett's presentation.

See accompanying notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Gannett Co., Inc.
 Unaudited Pro Forma Condensed Combined Statement of Income
 Year-to-date ended December 27, 1998
 (in thousands of dollars, except per share data)

	Gannett	Newsquest	Pro forma adjustments	Pro forma combined
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Revenues				
Newspapers advertising	\$2,942,995	\$ 433,886	\$	\$3,376,881
Newspaper circulation	1,010,238	62,310		1,072,548
Television	721,298			721,298
Cable and security	240,600			240,600
All other	206,160	10,592		216,752
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Total revenues	5,121,291	506,788		5,628,079
Operating expenses				
Cost of sales and operating expenses, exclusive of depreciation	2,593,982	229,123		2,823,105
Selling, general and administrative expenses, exclusive of depreciation	773,601	123,804	2,320 (1)	899,725
Depreciation	201,683	19,042		220,725
Amortization of intangible assets	108,523		42,052 (2)	150,575
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Total operating expenses	3,677,789	371,969	44,372	4,094,130
Operating income	1,443,502	134,819	(44,372)	1,533,949
Non-operating income (expense)				
Interest (expense), net of interest income	(60,094)	(33,774)	33,774 (3) (101,073) (4)	(161,167)
Other	286,005			286,005
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Total	225,911	(33,774)	(67,299)	124,838
Income before income taxes	1,669,413	101,045	(111,671)	1,658,787
Provision for income taxes	669,500	31,830	(36,330) (5)	665,000
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Net income	\$ 999,913	\$ 69,215	\$ (75,341)	\$ 993,787
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Net income per share-basic	\$3.53			\$3.51
	=====			=====
Net income per share-diluted	\$3.50			\$3.48
	=====			=====
Average outstanding shares:				
Basic	283,097			283,097
Diluted	285,711			285,711

- (A) This pro forma income statement includes Gannett's results for the 52-week period ended December 27, 1998, and Newsquest results for the 53-week period ended January 3, 1999.
- (B) For comparability, Newsquest results have been reclassified to conform with Gannett's presentation.
- (C) Newsquest results are as reported in U.K. GAAP. U.S. GAAP adjustments are included with the pro forma adjustments.

See accompanying notes to Unaudited Pro Forma Condensed Combined Financial Statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

The unaudited pro forma condensed combined balance sheet has been prepared to reflect the acquisition of Newsquest for an aggregate price of approximately \$1.45 billion plus the assumption of approximately \$250 million of liabilities and transaction-related costs, including \$181 million of Newsquest's long-term debt.

The unaudited pro forma condensed combined balance sheet presents the financial position of Gannett and Newsquest as of December 27, 1998, assuming that the transaction occurred as of December 27, 1998. Such pro forma information is based on the historical balance sheets of Gannett as of December 27, 1998, and of Newsquest as of January 3, 1999.

As required by Rule 11-02 of Regulation S-X, the unaudited pro forma condensed combined statement of income assumes that the transaction occurred as of the beginning of the period presented. The unaudited pro forma condensed combined statement of income reflects Gannett's historical results of operations for the 52 weeks ended December 27, 1998, and Newsquest's historical results of operations for the 53 weeks ended January 3, 1999.

The company believes that the assumptions used in preparing the unaudited pro forma condensed combined financial statements provide a reasonable basis for presenting all of the significant effects of the merger (other than any operating synergies anticipated by Gannett) and that the pro forma adjustments give effect to those assumptions in the unaudited pro forma condensed combined financial statements.

Note 2 - Pro Forma Adjustments

A. Pro forma adjustments to the unaudited condensed combined balance sheet at December 27, 1998 are made to reflect the following:

- (1) Adjustment to record the excess of acquisition cost over the fair value of net assets acquired (goodwill). For purposes of the unaudited pro forma condensed combined statement of income, goodwill is being amortized over forty years.
- (2) Accrual for estimated acquisition-related expenses incurred by Gannett and Newsquest.
- (3) Deferred tax adjustments in respect of acquisition expenses (see #2), net of an adjustment in respect of tax deferred on real property sales.
- (4) The issuance of commercial paper by Gannett to finance the purchase price.
- (5) The elimination of the shareholders' equity accounts of Newsquest.

B. Pro forma adjustments to the December 27, 1998 unaudited condensed combined income statement are made to reflect the following:

- (1) Newsquest excess pension amount, which is required to be reflected under United States GAAP.
- (2) Amortization expense on the estimated excess of acquisition cost over fair value of assets, assuming a life of forty years.
- (3) The elimination of Newsquest's interest expense. (See (4) below.)
- (4) Gannett's pro forma interest expense on amount assumed borrowed for consideration paid (\$1.58 billion, translated from British pounds at the beginning of 1998) and Newsquest average 1998 debt (\$0.26 billion). The rate used to calculate interest expense, 5.5%, is based on the weighted average rate paid by Gannett for commercial paper in 1998.
- (5) To adjust consolidated tax provisions for U.S. and U.K. tax effects of acquisition.

