Registered number: 123264

SHROPSHIRE NEWSPAPERS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE PERIOD (52 WEEKS) ENDED

27th December 2008

SHROPSHIRE NEWSPAPERS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE PERIOD ENDED 27th DECEMBER 2008

CONTENTS

SHROPSHIRE NEWSPAPERS LIMITED

DIRECTORS' REPORT

The Directors' present their report and accounts for the period (52 weeks) ended 27th December 2008.

RESULTS AND DIVIDEND

The loss for period after taxation amounted to £1,538,207 (2007 loss of £703,756). The Directors do not propose to pay a dividend in respect of 2008 (2007 - £Nil).

PRINCIPAL ACTIVITIES

The principal activity of the company has continued to be that of newspaper publishers.

BOARD OF DIRECTORS

The members of the Board who held office during the period were:-

M G Douglas Graham	(Chairman)
G W Evers	
C D Spicer	
P R Guy	
S J Smith	
P Walker	(resigned 6th March 2008)
G Walton	(resigned 31st March 2009)

NATURE, OBJECTIVES AND STRATEGIES

The Company's Business

The company's business is the publication of a daily paid for evening newspaper, together with a portfolio of weekly and monthly free and paid for titles, predominantly serving the county of Shropshire.

Business Objectives

The company's objective is to be the leading provider of media services in the area which it serves.

PERFORMANCE AND REVIEW OF THE BUSINESS DURING THE PERIOD AND BUSINESS KPI'S

As reported in the directors' report for 2007, it was noted that revenues for the first quarter of 2008 had declined compared to the prior year. However at that time it was impossible to predict the rate at which revenues would deteriorate.

The first quarter of 2008 gave no hint of the dramatic decline in advertising revenues that was to beset the UK newspaper industry from April 2008 onwards. As we now know, this economic downturn was the onset of recession. The recession together with the longer term decline in newspaper circulation and readership led the Board to undertake a fundamental reorganisation of the business.

SHROPSHIRE NEWSPAPERS LIMITED

DIRECTORS' REPORT (Continued)

PERFORMANCE OF THE BUSINESS DURING THE PERIOD AND BUSINESS KPI'S (Continued)

In October 2008 the reorganisation programme was announced. At the heart of this reorganisation was the creation of a single executive management team for the group's UK publishing business with a remit to reposition the business as a multi-platform media business with a range of products and services able to meet the demand of its customers whether individuals or businesses, readers or advertisers, for news, information and advertising services.

The advertising community is a critical part of our customer base and the effects of the restructuring will have a clear impact on this community as we reposition our classified advertising offer through a combination of investment in people and technology. A new centralised classified call centre utilising the latest telephony and CRM systems together with a simplified and flexible pricing policy will allow sales teams to mix and match campaigns and sell across the entire portfolio.

The reorganisation will change the focus of how the group's digital media offering is seen in the marketplace. Newly appointed category heads within the advertising department will have responsibility for driving growth in digital revenues through new and innovative pricing packages and policies that link print and online.

The restructure is in part possible through the implementation of a new editorial system. The web-enabled interface will allow journalists to become fully fledged "new media" operators with full facilities for editing videos on their screens. Through the use of leading edge software all content from stories to pictures and video clips will be automatically tagged based on a wide range of criteria which will enable that content to be made available and edited in a format appropriate to the platform.

The fundamental reorganisation also involves restructuring the cost base of the business to meet the challenges of the harsh trading landscape ahead. This restructuring includes the centralisation of shared services including finance, administration and pre-press together with the rationalisation of our printing facilities across two sites with the closure of the West Bromwich print centre of our sister company, the Express & Star. The first stage of the programme involved the loss of 126 jobs throughout the publishing group by a combination of non-replacement, voluntary and compulsory redundancies.

The total cost of the fundamental reorganisation incurred in 2008 is £392,000. In accordance with FRS 3 these costs have been separately identified and reported as a fundamental reorganisation in the profit and loss account

Key performance indicators include revenue, gross margins, operating profits and capital expenditure.

	2008	**2007**	**2006**
	£000	£000	£000
Revenue	22,278	23,935	23,906
Operating Loss	(2,220)	(1,587)	(2,480)
Capital Expenditure	642	388	1,797

SHROPSHIRE NEWSPAPERS LIMITED

DIRECTORS' REPORT (Continued)

Revenue for the year declined by £1.7m, with most of the shortfall attributed to declines in property and recruitment revenue advertising. Newspaper sales volumes have declined but a price increase during the year helped to offset that loss of revenue.

Gross Margins

Due to significant savings in production costs, mainly newsprint, gross margins were ahead of 2007 by 1%.

Operating Expenses

Operating expenses are below 2007 levels by over £1m, with most of this attributed to raw materials and labour costs (see note 3).

Balance Sheet

The control of capital expenditure has resulted in the net book value of tangible fixed assets declining by £1.03m.

The movement in current debtors and creditors, an increase of £2.4m, is affected by group trends, as excluding group accounts, net current assets reduced by £4.5m.

RELATIONSHIPS

The major external relationships of the business are the key advertising agencies and multiple retailers, as well as suppliers. All advertising agencies and multiple retailers are visited on a regular basis by senior management.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group manages competitive trading risk by providing an unrivalled service to its advertisers; however the performance of the Group is dependant on the local economy. Circulation risk is managed by producing a quality product which is considered to be the primary source for local news.

The Group is exposed to movement in the price of its key consumable, newsprint. However, annual contracts are placed with its suppliers to reduce this risk.

FINANCIAL INSTRUMENTS

The main financial risks arising from the company's activities are credit risk and liquidity risk. These are monitored by the board of Directors and were not considered to be significant at the balance sheet date.

Credit risk is managed by agreeing payment terms in advance and appropriate references being taken. Credit control procedures are followed where credit risk is perceived.

The company's transactions are denominated in sterling and therefore the company is not exposed to the movement in foreign exchange rates.

The company is financed by a combination of loans from its immediate parent and the group's bankers.

As highlighted in note 22 to the financial statements, the company is party to group banking facilities. These facilities are made available to the company to meet its day to day working capital requirements. The group overdraft facility is due for renewal in January 2010. The group also has a term loan facility until December 2010.

The current economic conditions create uncertainty particularly with regard to the level of demand for products and services and the cost of raw materials. However, the group's forecasts and projections, taking account of changes in trading performance, show that the group should be able to operate within the level of its current facilities.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

EMPLOYEES

The Directors recognise the importance of good communication and relations with members of the staff. A company newspaper is produced quarterly and methods of consultation are under constant review. The company is proud of its employment policies and of the guidance it gives to those approaching retirement. The Midland News Association Limited has operated an employee share scheme for many years, which is available to this company's employees and a range of pension benefits have been introduced which is comparable with the best in British industry.

EMPLOYMENT OF DISABLED PEOPLE

The company supports the principle of employing disabled people wherever possible, through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion.

SHROPSHIRE NEWSPAPERS LIMITED

DIRECTORS' REPORT (Continued)

ENVIRONMENTAL MATTERS

The company takes its environmental responsibilities seriously and recognises that business activities inevitably have an impact on the natural environment. It is committed to minimising this impact and uses recycled newsprint, its largest consumable, wherever possible.

OUTLOOK FOR THE CURRENT YEAR

At the time of writing, the economic climate has resulted in revenues in the current year being significantly lower compared to the prior year, due to the reduction in advertising revenues. Gross margins are affected by the lower revenue; however the gross margin percentage has only reduced marginally despite a rise in the newsprint price.

FUTURE DEVELOPMENTS

The company is investigating other revenue streams within the media landscape to achieve growth following the decline reported in recent years. As noted earlier in this report the company is in the process of a fundamental reorganisation to reposition itself to meet the demand of its customers.

AUDITORS

BDO Stoy Hayward LLP have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the Annual General Meeting.

So far as all the directors are aware, there is no relevant audit information of which the company's auditors are unaware and have taken all steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By Order of the Board

D. J. Hughes
Secretary
27th April 2009

SHROPSHIRE NEWSPAPERS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHROPSHIRE NEWSPAPERS LIMITED

We have audited the financial statements of Shropshire Newspapers Limited for the period ended 27th December 2008 which comprise the Profit and Loss Account, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 27th December 2008 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditor
BIRMINGHAM

27 April 2009

SHROPSHIRE NEWSPAPERS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 27th DECEMBER 2008

	Notes	2008 £	2007 £
Turnover	2	22,277,618	23,935,344
Net operating expenses	3	(24,497,180)	(25,522,386)
Operating Loss		(2,219,562)	(1,587,042)
Costs of fundamental re-organisation	7	(392,028)	-
Interest receivable and other income	8	1,282,550	1,645,923
Preference interest		(9,973)	(9,973)
Dividends from unlisted investments		-	9,972
(Loss)/Profit on Ordinary Activities before Taxation		(1,339,013)	58,700
Taxation	9	(199,194)	(762,456)
Loss on Ordinary Activities after Taxation and retained loss for the period	20	(1,538,207)	(703,756)

All the activities of the company are continuing.

The company has no recognised gains or losses other than those included in the loss above and therefore no separate Statement of Total Recognised Gains or Losses has been presented.

SHROPSHIRE NEWSPAPERS LIMITED

BALANCE SHEET AT 27th DECEMBER 2008

	Notes	2008 £	2007 £
Fixed assets			
Intangible fixed assets	**10**	12,967,397	15,667,397
Tangible fixed assets	**11**	18,550,717	19,582,112
Investments	**13**	2	2
		31,518,116	35,249,511
Current assets			
Stocks	**14**	490,895	418,155
Debtors (includes amounts due over one year £22,230,500 (2007: £28,807,537)	**15**	47,990,212	46,598,822
Cash at bank and in hand		6,041	7,009
		48,487,148	47,023,986
Creditors: amounts falling due within one year	**16**	(11,295,119)	(12,300,223)
Net current assets		37,192,029	34,723,763
Total assets less current liabilities		68,710,145	69,973,274
Creditors: amounts falling due after one year	**17**	(3,060,000)	(3,060,000)
Provisions for liabilities			
Deferred taxation	**18**	(1,196,964)	(921,886)
Net assets		64,453,181	65,991,388
Capital and reserves			
Called up share capital	**19**	101,000	101,000
Share premium account	**20**	19,916,225	19,916,225
Profit and loss account	**20**	13,468,559	12,306,766
Other reserves	**20**	30,967,397	33,667,397
Shareholders' funds	**21**	64,453,181	65,991,388

The accounts on pages 10 to 23 were approved and authorised for issue by the Board of Directors on 27th April 2009 and signed on behalf of the Board.

M. G. Douglas Graham
Chairman

SHROPSHIRE NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 27th DECEMBER 2008

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, which have been applied consistently throughout the period, unless otherwise stated, is set out below:-

a) **Fundamental accounting concept**

The financial statements have been prepared on the going concern basis. As detailed in the Directors Report on page 5, the Directors have considered the principal risks and uncertainties that apply to the business and believe that it is appropriate to continue to prepare the accounts on this basis.

b) **Basis of accounting**

The company prepares its accounts on the historical cost basis of accounting and in accordance with the applicable accounting standards in the United Kingdom. They incorporate the results for the 52 weeks ended 27th December 2008 (2007: 52 weeks ended 29th December).

c) **Turnover**

Turnover is measured at fair value, net of applicable discounts and value added tax. Advertising revenue is recognised upon publication and circulation revenue is recognised upon delivery.

d) **Intangible Assets - Licence Fees**

Intangible assets, shown at cost of acquisition, are amortised on a straight line basis over their estimated useful life up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

e) **Depreciation**

The depreciation charge is calculated on cost at equal annual rates estimated to write off the acquisition cost of tangible assets over their working lives as follows:

Freehold buildings	2% per annum
Plant and machinery	5% - 20% per annum
Fittings & equipment	7.5% - 20% per annum
Freehold land is not depreciated	

Assets in the course of construction are not depreciated until they are completed. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

f) **Finance leases and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright.

NOTES TO THE ACCOUNTS (Continued)

The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

The interest element of the rental obligations are charged in the profit and loss account over the period of the lease and represent a constant proportion of the capital repayments outstanding.

g) **Deferred Taxation**

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred at the balance sheet date, with the following exceptions:

- 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 difference can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

h) **Stocks**

Stocks, which comprise principally newsprint and consumable stores, are valued at the lower of cost and estimated net realisable value.

i) **Defined benefit pension schemes**

The company participates in a defined benefit pension scheme which is funded, with the assets of the schemes held separately from those of the company and group in separate trustee administered funds. The company's contributions are affected by the surplus/deficit in the scheme. However, it is not possible to identify the company's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis.

Therefore, in accordance with the FRS 17 multi-employer exemption, the scheme is accounted for as if they were defined contribution scheme (see below).

The latest available information relating to the scheme and the implications for the company are detailed in the note 23 to the accounts.

NOTES TO THE ACCOUNTS (Continued)

j) Defined contribution pension scheme

Pension costs for the company's defined contribution pension schemes are recognised within operating profit at an amount equal to the contributions payable to the scheme for the period. Any prepaid or outstanding contributions at the balance sheet date are recognised respectively as assets or liabilities within prepayments or accruals.

k) Cash Flow

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group, The Midland News Association Limited and the company is included in the consolidated financial statements.

2. TURNOVER

Turnover arises principally from newspaper publishing and distribution carried out wholly within the United Kingdom.

3. NET OPERATING EXPENSES

	2008 £	2007 £
Raw materials and consumables	3,333,581	3,700,084
Staff costs (see note 5)	9,720,531	10,488,013
Depreciation of tangible fixed assets	1,668,055	1,671,426
Amortisation of intangible fixed assets	2,700,000	2,700,000
Other operating charges	7,181,954	7,073,767
Other operating income	(106,941)	(110,904)
	24,497,180	25,522,386

4. OPERATING LOSS

	2008 £	2007 £
This is arrived at after charging/(crediting)		
Hire of plant and machinery		
- operating leases	357,803	275,509
Hire of land and buildings		
- operating leases	525,033	514,620
Auditors renumeration:		
Audit services - company	27,950	26,228
Non audit services - taxation	8,121	10,744
- other	-	-
Profit on disposal of fixed assets	(4,666)	(23,330)

SHROPSHIRE NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS (Continued)

5. EMPLOYEES

The aggregate staff costs during the period were:

	2008	2007
	£	£
Wages and salaries	7,989,117	8,000,537
Social security costs	813,894	750,175
Other pension costs (Note 23)	917,520	1,737,301
	9,720,531	10,488,013

The monthly average number of employees throughout the period was:

	2008	2007
	Number	Number
Sales and Administration	285	286
Production and Distribution	123	123
	408	409

6. DIRECTORS' REMUNERATION

Employees' staff costs include the following remuneration in respect of Directors £407,875 (2007 - £336,627). There are also payments for compensation for loss of office of £128,833 (2007 - £Nil).

The emoluments of the highest paid Director (excluding pension contributions) were £122,680 (2007 - £110,216). His accrued entitlement at 27th December 2008 under a defined benefit scheme constituted a pension of £nil (2007 - £57,333) per annum. There are two Directors to whom retirement benefits are accruing under this scheme.

7. COSTS OF FUNDAMENTAL RE-ORGANISATION

The costs of the fundamental re-organisation of the business compromise:

	2008	2007
	£	£
Severance payments	392,028	-

For further details, see the Director's report on page 4.

8. INTEREST RECEIVABLE AND OTHER INCOME

	2008	2007
	£	£
Group interest receivable	1,282,550	1,645,923
	1,282,550	1,645,923

SHROPSHIRE NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS (Continued)

9. TAXATION

	2008 £	2007 £
UK Current Tax		
Group Relief (receivable)/payable	(205,397)	998,423
UK corporation tax on profits of the period	-	-
Adjustments in respect of previous periods	129,513	464,599
Total current tax charge (see below)	(75,884)	1,463,022
UK Deferred Tax (Note 18)		
Origination and reversal of timing differences		
Short term timing differences	1,287	(17,537)
Depreciation (less than) in excess of capital allowances	587,730	(145,146)
Deferred tax on withdrawal of IBAs	-	(1,167)
Effect of Changes in tax rate on opening liability	-	(65,932)
Adjustments in respect of previous periods	(313,939)	(470,784)
	199,194	762,456

Factors affecting the tax charge for the period

The tax assessed on the loss on ordinary activities for the period differs from the standard rate of corporation tax in the UK. The differences are explained below:-

	2008 £	2007 £
(Loss)/Profit on ordinary activities before tax	(1,339,013)	58,700
(Loss) /Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2007: 30%)	(374,924)	17,610
Effects of:		
Expenses not deductible for tax purposes	773,283	818,130
Depreciation in excess of /(less than) capital allowances	(587,730)	145,146
Short term timing differences	(1,287)	17,537
Adjustments in respect of previous periods	129,513	464,599
Transfer pricing adjustment	(11,136)	-
Effect of change in tax rate in the year	(3,603)	-
Current tax charge for period (see above)	(75,884)	1,463,022

SHROPSHIRE NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS (Continued)

10. INTANGIBLE FIXED ASSETS

	Licence Fees
Cost:	£
At 27th December 2008 and 29th December 2007	27,000,000
Amortisation:	
At 29th December 2007	11,332,603
Charge for the period	2,700,000
At 27th December 2008	14,032,603
Net Book Value:	
At 27th December 2008	12,967,397
At 29th December 2007	15,667,397

Licence fees are being amortised over their 10 year licence period.

11. TANGIBLE FIXED ASSETS

	Land and Buildings	Plant and Machinery	Fittings and Equipment	Total
Cost:	£	£	£	£
At 29th December 2007	153,691	27,512,004	558,246	28,223,941
Additions	-	297,298	344,751	642,049
Disposals	-	(261,206)	(50,609)	(311,815)
At 27th December 2008	153,691	27,548,096	852,388	28,554,175
Depreciation:				
At 29th December 2007	89,770	8,055,173	496,886	8,641,829
Charge for the period	4,795	1,631,265	31,995	1,668,055
Eliminated on disposals	-	(255,828)	(50,598)	(306,426)
At 27th December 2008	94,565	9,430,610	478,283	10,003,458
Net Book Value:				
At 27th December 2008	59,126	18,117,486	374,105	18,550,717
At 29th December 2007	63,921	19,456,831	61,360	19,582,112

11. TANGIBLE FIXED ASSETS (Continued)

The net book value of land and buildings comprises:

	2008 £	2007 £
Long leaseholds	14,134	48,452
Short leaseholds	44,992	15,469
	59,126	63,921

The aggregate amount of capital expenditure authorised and contracted for by the Directors at 27th December 2008 was £ Nil (2007: £71,000).

12. INVESTMENTS (unlisted)

The Company owns 60,000 unlisted Ordinary shares of £1 each in The Press Association Limited which are included in the balance sheet at Nil cost.

13. INVESTMENTS IN SUBSIDIARY COMPANY

The company owns 2 ordinary shares of £1 each representing the entire issued share capital in The Leopard Press Limited, a company registered in England and Wales. This company is dormant.

14. STOCKS

	2008 £	2007 £
Raw materials	177,527	85,285
Consumable stocks	73,167	92,669
Engineering stocks	240,201	240,201
	490,895	418,155

SHROPSHIRE NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS (Continued)

15. DEBTORS

Amounts falling due after one year

	2008 £	2007 £
Interest bearing loan to group undertaking	18,000,000	18,000,000
Prepayments and accrued income	-	6,577,037
Amount due from group undertakings	4,230,500	4,230,500
	22,230,500	28,807,537
Amounts falling due within one year:		
Trade debtors	373,949	467,312
Amount due from group undertakings	24,608,411	16,761,257
Other debtors	20,306	13,727
Prepayments and accrued income	466,458	463,798
Corporation tax	85,191	85,191
Group relief receivable	205,397	-
	47,990,212	46,598,822

The interest bearing loan is unsecured and interest is charged at 4.85% for the first 10 years and thereafter at 0.5% above the yield on 10 year treasury gilts available at that time. The loan is repayable on the 21st October 2023.

16. CREDITORS:

Amounts falling due within one year:

	2008 £	2007 £
Bank overdraft (Note 22)	707,704	947,623
Trade creditors	900,421	525,490
Other creditors	371,950	44,572
Amount due to group undertakings	8,650,825	7,790,816
Group relief payable	-	2,067,050
Other taxation and social security costs	256,959	314,300
Accruals and deferred income	407,260	610,372
	11,295,119	12,300,223

SHROPSHIRE NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS (Continued)

17. CREDITORS:

Amounts falling due after one year:

	2008 £	2007 £
Loans from group undertakings wholly repayable on 10th December 2017 - non interest bearing	2,860,000	2,860,000
5% Cumulative Preference Shares	200,000	200,000
	3,060,000	3,060,000

18. DEFERRED TAXATION

The movements in deferred taxation during the current period are as follows:

At 29th December 2007	921,886
Provided during the period (See note 9)	275,078
At 27th December 2008	1,196,964

The deferred taxation consists of:

	2008 £	2007 £
Tax effect of timing differences due to:		
Accelerated capital allowances	1,225,824	952,033
Other timing differences	(28,860)	(30,147)
	1,196,964	921,886

19. SHARE CAPITAL

	Authorised £	Allotted called up and fully paid £
Ordinary shares of £1 each at 27th December 2008 and 29th December 2007	501,000	101,000

SHROPSHIRE NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS (Continued)

20. RESERVES

	Other Reserves	Share premium Account	Profit and loss account
	£	£	£
At 29th December 2007	33,667,397	19,916,225	12,306,766
Retained loss for the period	-	-	(1,538,207)
Transfer between reserves	(2,700,000)	-	2,700,000
As at 27th December 2008	30,967,397	19,916,225	13,468,559

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008	2007
	£	£
Loss on ordinary activities after taxation	(1,538,207)	(703,756)
Net reduction to shareholders funds	(1,538,207)	(703,756)
Opening shareholders' funds	65,991,388	66,695,144
Closing shareholders funds	64,453,181	65,991,388

22. CONTINGENT LIABILITY

During the year the company was party to group banking facilities. These facilities were made available to the company to meet its day to day working capital requirements. The group has overdraft facilities set at £9m (2007 - £11m) which are due for renewal in January 2010. The group also has a term loan facility until December 2010. The term loan which is with the group's principal bankers, Barclays Bank PLC has an outstanding balance of £25m (2007 - £35m) and incurs interest at 1.0% per annum above base rate with security provided by a fixed and floating charge over the assets of the group.

As at 27th December 2008, the group's net debt under the above facilities totalled £26.7m (2007 - £36.1m)

SHROPSHIRE NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS (Continued)

23. PENSION ARRANGEMENTS

The company participated in two group defined benefit schemes and a defined contribution scheme up until the 1st April 2008. On that date the assets and liabilities of the defined benefit schemes were consolidated into one scheme. The defined benefit scheme is closed to new members and future accrual. It is not possible to identify the company's share of assets and liabilities in the defined benefit scheme on a consistent and reasonable basis. Therefore, in accordance with FRS17 paragraph 9 (b) (multi-employer exemption), the scheme is accounted for as if it was a defined contribution scheme.

The total pension charge and contributions payable for the year amounted to £918,000 (2007 - £1,737,000).

	2008	2007
	£000	£000
Defined benefit	233	1,344
Defined contribution	685	393
	918	1,737

The most recent formal valuation of the scheme was carried out as at 5th April 2008 using the projected unit method.

In order to provide information about the funding position of the scheme, a separate valuation at 27th December 2008, using the projected unit method, as required by FRS17 has been obtained and is disclosed in the accounts of Claverley Group Limited.

The valuation of the scheme at 27th December 2008, calculated by an actuary on an FRS17 basis, shows a deficit on the scheme of £7,860,000 (2007 Restated - £850,000). The restatement of the 2007 deficit is due to a change in FRS17 which requires assets to be valued at Bid Price rather than Mid Price.

For the purpose of these accounts, these figures are illustrative only and do not impact on the result or the balance sheet of the company. It should also be noted that these figures include a proportion of pension assets and liabilities relating to other group companies which also participate in the scheme. It has not been possible to identify the share of the deficit which relates solely to Shropshire Newspapers Limited. Full details of the pension scheme is given in the accounts of the ultimate parent company.

The measurement bases required by FRS17 are likely to give rise to significant fluctuation in the reported annual amounts of the defined benefit scheme's assets and liabilities from year to year and do not necessarily give rise to a change in the contributions payable into the scheme, which are recommended by independent actuaries using long term assumptions.

SHROPSHIRE NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS (Continued)

24. OPERATING LEASE COMMITMENTS

At 27th December 2008 the company had annual commitments under operating leases as follows:

	Property Leases		Other	
	2008	2007	2008	2007
	£	£	£	£
Leases expiring within one year	-	9,360	-	-
Leases expiring after more than one year but within five years	6,860	6,250	246,756	79,351
Leases expiring after more than five years	516,204	513,403	-	-
	£523,064	£529,013	£246,756	£79,351

25. RELATED PARTY DISCLOSURE

The company has taken advantage of the exemption in FRS8 as a wholly owned subsidiary not to disclose details of related party transactions as required by the standard.

26. ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of The Midland News Association Limited, registered in England & Wales and is included within that Company's group accounts. The ultimate parent undertaking is Claverley Company, also registered in England and Wales.