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Shropshire Newspapers Limited

Report and Financial Statements

Year Ended

31 December 2011

Company Number 123264

Shropshire Newspapers Limited

Report and financial statements
for the year ended 31 December 2011

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Directors

M G Douglas Graham
G W Evers
P R Guy

Secretary and registered office

D J Hughes, 50 & 51 Queen Street, Wolverhampton, WV1 1ES

Company number

123264

Auditors

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

Shropshire Newspapers Limited

Report of the directors
for the year ended 31 December 2011

The directors present their report together with the audited financial statements for the year ended 31 December 2011

Results and dividends

The profit and loss account is set out on page 7 and shows the loss for the year

The Directors paid an interim dividend of £500,000 (2010 - £3,000,000) They do not propose the payment of a final dividend (2010- £Nil)

Principal activities, review of business and future developments

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

Performance of the business during the period and business KPI's

The general economic uncertainty that the company has operated in since 2008 continued though out 2011, resulting in another challenging trading year The reduction in public sector spending together with the economic climate and lower disposable income of consumers has meant that advertising customers have held back on advertising expenditure

Lower advertising revenues together with the longer term decline in newspaper circulation meant the management of costs continue to be of the up most importance The price of newsprint increased in the year but the company was protected against an element of this increase by the fixed price agreement entered into in 2010 This agreement finished at the end of 2011

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

	52 weeks ended 31 December 2011 £	52 weeks ended 1 January 2011 £
Revenue	**16,241,191**	17,350,845
Operating loss	**(5,148,224)**	(3,986,639)
Capital expenditure	**2,048,100**	285,497

Nature, objectives and strategies

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

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

Shropshire Newspapers Limited

Report of the directors
for the year ended 31 December 2011 ***(continued)***

Financial instruments

The company is financed by a combination of loans from group companies and the group's bankers

As highlighted in note 21 to the financial statements, the company is party to the Claverley Group banking facilities These facilities are made available to the company to meet its day to day working capital requirements As at the year end the Claverely group utilised an overdraft facility which was due for renewal in December 2011 (facility was temporarily extended during the refinancing noted below) and a revolving credit facility and term loan facility due for repayment in December 2014

Following the year end the Claverley group entered into negotiations with Lloyds TSB to refinance the group's facilities due to a covenant breach As part of this refinancing it sold its investment in the The Guiton Group (based in the Channel Islands) to Claverley Holdings Ltd with this group taking on separate financing with HSBC The UK based group companies agreed new facilities with Lloyds TSB on 3rd July 2012 which include an overdraft facility of £4m due for renewal on 2 July 2013 and a new five year term loan for £8m The new Lloyds TSB facilities are secured by a fixed and floating charge over the assets of the UK group companies The company is party to these new facilities

The directors of the company have prepared cashflow and profit and loss forecasts for the 3 year period to 31 December 2014 which show that the directors have a reasonable expectation that the company will be able to meet its liabilities as they fall due for at least the 12 months from the date of approval of these financial statements

After making enquiries and considering uncertainties described above, the directors have a reasonable expectation that they can continue in operational existence for the foreseeable future Accordingly the directors continue to adopt the going concern basis in preparing the financial statements

Operating expenses

Operating expenses increased in the year by £19,628,000 as the company attempted to reduce costs to reflect the lower revenues Operating expenses included exceptional items of £20,151,000

Balance sheet

The net book value of tangible fixed assets increased by £574,000 due to additional colour printing facilities at the Ketley Print Centre

The movement in current debtors and creditors, a decrease of £21,589,000, is affected by group accounts, as excluding group accounts net current assets increased by £1,913,000

Margins

Gross margins excluding the exceptional item decreased in the period due to the decline in revenue, the gross margin percentage also decreased as the price of our key consumable, newsprint, not part of the fixed price agreement, increased

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

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

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

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

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 current year

The economic uncertainty that was experienced in 2011 is expected to continue into 2012, although there are some very small signs that the economy might show some improvements in the latter half of the year

Profits for the first quarter were higher than anticipated. With the double dip recession, the economic head wind is likely to be against us but the initiatives are in place to allow the management team to grow and develop the business

Whilst it is early in the year, it is expected that the performance for 2012 will show an improvement on the results achieved in 2011

Future developments

The company is investigating other revenue streams within the media landscape to achieve growth following the decline reported in recent years

Directors

The directors of the company during the year were

M G Douglas Graham (Chairman)
G W Evers
P R Guy
S J Smith (resigned 29 July 2011)

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting

On behalf of the board

G W Evers
Director

3 July 2012

Shropshire Newspapers Limited

Independent auditor's report

To the members of Shropshire Newspapers Limited

We have audited the financial statements of Shropshire Newspapers Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Shropshire Newspapers Limited

Independent auditor's report *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

- the financial statements are not in agreement with the accounting records and returns, or

- certain disclosures of directors' remuneration specified by law are not made, or

- we have not received all the information and explanations we require for our audit

BDO LLP

Mark Anslow (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

3 July 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Shropshire Newspapers Limited

Profit and loss account
for the year ended 31 December 2011

	Note	52 weeks ended 31 December 2011 £	52 weeks ended 1 January 2011 £
Turnover	2	**16,241,191**	17,350,845
Net operating expenses - including exceptional costs of £575,217 (2011 - £Nil)		**21,389,415**	21,337,484
Gross loss		**(5,148,224)**	(3,986,639)
Other interest receivable and similar income	7	**1,227,053**	1,170,689
Interest payable and similar charges		**(9,973)**	(9,973)
Loss on ordinary activities before taxation		**(3,931,144)**	(2,825,923)
Taxation on loss on ordinary activities	8	**65,799**	201,215
Loss on ordinary activities after taxation		**(3,865,345)**	(2,624,708)

All amounts relate to continuing activities
All recognised gains and losses in the current year and prior period are included in the profit and loss account

The notes on pages 9 to 22 form part of these financial statements

Shropshire Newspapers Limited

Balance sheet
at 31 December 2011

Company number 123264	Note	31 December 2011 £	31 December 2011 £	1 January 2011 £	1 January 2011 £
Fixed assets					
Intangible assets	10		**4,867,397**		7,567,397
Tangible assets	11		**16,293,409**		15,718,950
Fixed asset investments			**2**		2
			21,160,808		23,286,349
Current assets					
Stocks	13	**420,078**		581,610	
Debtors - due within one year	14	**28,710,777**		27,363,692	
Debtors - due after more than one year	14	**18,000,000**		18,000,000	
Total debtors		**46,710,777**		45,363,692	
Cash at bank and in hand		**899**		132,129	
		47,131,754		46,077,431	
Creditors. amounts falling due within one year	15	**10,078,719**		6,718,793	
Net current assets			**37,053,035**		39,358,638
Total assets less current liabilities			**58,213,843**		62,644,987
Creditors· amounts falling due after more than one year	16	**200,000**		200,000	
Provisions for liabilities	17	**1,109,326**		1,175,125	
			1,309,326		1,375,125
			56,904,517		61,269,862
Capital and reserves					
Called up share capital	18		**101,000**		101,000
Share premium account	19		**19,916,225**		19,916,225
Other reserves	19		**25,567,397**		25,567,397
Profit and loss account	19		**11,319,895**		15,685,240
Shareholders' funds	20		**56,904,517**		61,269,862

The financial statements were approved by the board of directors and authorised for issue on 3 July 2012

G W Evers
Director

The notes on pages 9 to 22 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards They incorporate the results for the 52 weeks ended 31 December 2011 (2010 - 52 weeks ended 1 January 2011)

The following principle accounting policies have been applied

Fundamental accounting concept

The directors of the company have prepared cashflow and profit and loss forecasts for the 3 year period to 31 December 2014 which show that the directors have a reasonable expectation that the group will be able to meet its liabilities as they fall due for at least the 12 months from the date of approval of these financial statements

As part of this review the UK based Claverley group companies agreed new banking facilities to meet the working capital requirements as set out in the forecasts The new facilities include a UK based overdraft facility with Lloyds TSB of £4m which is due for renewal on 2 July 2013 and a five year term loan for £8m with Lloyds with a separate facility of a £10m term loan being agreed with HSBC for The Guiton Group of companies (based in the Channel Islands) since the year end

After making enquiries and considering uncertainties, the directors have a reasonable expectation that they can continue in operational existence for the foreseeable future Accordingly the directors continue to adopt the going concern basis in preparing the financial statements

Consolidated financial statements

The financial statements contain information about Shropshire Newspapers Limited as an individual company and do not contain consolidated financial information as the parent of a group The company has taken advantage of the exemption conferred by section 400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in EEA group accounts of a larger group

Cash flow statement

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 headed by The Midland News Association Limited and the company is included in consolidated financial statements

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales Advertising revenue is recognised upon publication and circulation revenue is recognised upon delivery

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

1 Accounting policies *(continued)*

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives It is calculated at the following rates

Leasehold property	- 2% per annum
Plant and machinery	- 5% - 33% per annum
Fixtures and fittings	- 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

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright The amount capitalised is the present value of the minimum lease payments payable over the term of the lease The corresponding leasing commitments are shown as amounts payable to the lessor Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding The capital part reduces the amounts payable to the lessor

All other leases are treated as operating leases Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease

Stocks

Stocks which comprise principally of newsprint and consumable stores are valued at the lower of cost and net realisable value Cost is based on the cost of purchase on a first in, first out basis Net realisable value is based on estimated selling price less additional costs to completion and disposal

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

1 Accounting policies *(continued)*

Defined benefit pension schemes

The company participates in a group defined benefit pension scheme which is funded, with the assets of the scheme 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 it were a defined contribution scheme (see below)

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

Defined contribution pension scheme

Pension costs for the company's defined contribution pension schemes are recognised within operating loss 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

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom

Shropshire Newspapers Limited

Notes forming part of the financial statements for the year ended 31 December 2011 *(continued)*

3 Net operating expenses

	52 weeks ended 31 December 2011 £	52 weeks ended 1 January 2011 £
Raw materials and consumables	2,727,281	2,697,437
Staff costs (note 5)	7,205,696	7,581,426
Depreciation of tangible assets	1,465,670	1,473,282
Amortisation of intangible assets	2,700,000	2,700,000
Other operating charges	6,875,692	6,974,160
Other operating income	(160,141)	(88,821)
Exceptional items	(575,217)	-
	20,238,981	21,337,484

Exceptional items relate to redundancy costs during the period and writing off of irrecoverable intercompany loan balances

4 Operating loss

	52 weeks ended 31 December 2011 £	52 weeks ended 1 January 2011 £
This is arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	**1,465,670**	1,473,282
Amortisation of other intangible fixed assets	**2,700,000**	2,700,000
Hire of plant and machinery - operating leases	**312,161**	294,615
Hire of other assets - operating leases	**510,097**	502,209
Auditors' remuneration		
- fees payable to the company's auditor for the audit of the company's annual accounts	**9,210**	9,055
- taxation services	**8,731**	5,183
- other services	**6,780**	12,000
(Profit)/Loss on disposal of fixed assets	**(11,476)**	12,879

5 Employees

Staff costs (including directors) consist of

	52 weeks ended 31 December 2011 £	52 weeks ended 1 January 2011 £
Wages and salaries	**6,085,471**	6,393,248
Social security costs	**622,647**	653,900
Other pension costs	**497,577**	534,278
	7,205,695	7,581,426

The average number of employees (including directors) during the period was as follows

	52 weeks ended 31 December 2011 Number	52 weeks ended 1 January 2011 Number
Sales and administration	**163**	194
Product and distribution	**128**	121
	291	315

6 Directors' remuneration

	52 weeks ended 31 December 2011 £	52 weeks ended 1 January 2011 £
Directors' emoluments	**353,213**	198,956
Company contributions to money purchase pension schemes	**22,860**	50,256

The total amount payable to the highest paid director in respect of emoluments was £253,868 (2010 - £120,145) Company pension contributions of £10,440 (2010 - £15,480) were made to a money purchase scheme on their behalf

There are 2 (2010 - 2) Directors to whom retirement benefits are accruing under this scheme

7 Other interest receivable and similar income

	52 weeks ended 31 December 2011 £	52 weeks ended 1 January 2011 £
Loans to group companies	**1,227,053**	1,170,689

8 Taxation on loss on ordinary activities

	52 weeks ended 31 December 2011 £	52 weeks ended 1 January 2011 £
Deferred tax		
Origination and reversal of timing differences	**(360,826)**	4,581
Adjustment in respect of previous periods	**412,639**	(162,442)
Effect of changes in tax rate	**(117,612)**	(43,354)
Movement in deferred tax provision	**(65,799)**	(201,215)

The tax assessed for the year/period is different to the standard rate of corporation tax in the UK applied to loss before tax

	52 weeks ended 31 December 2011 £	52 weeks ended 1 January 2011 £
Loss on ordinary activities before tax	**(3,931,144)**	(2,825,923)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 26% (2009 - 28%)	**(1,022,097)**	(791,258)
Effect of		
Expenses not deductible for tax purposes	**707,619**	767,094
Capital allowances for period less than depreciation	**376,169**	(8,165)
Short term timing differences	**(910)**	3,414
Transfer pricing adjustment	**127,243**	82,474
Group relief surrendered/(received) for nil payment	**258,254**	(53,559)
Worldwide debt cap exemption	**(446,278)**	-
Current tax charge for the period	**-**	-

9 Dividends

	52 weeks ended 31 December 2011 £	52 weeks ended 1 January 2011 £
Ordinary shares		
Interim paid of £4 95 (2010 - £29 70) per share	**500,000**	3,000,000

10 Intangible fixed assets

	Licence Fees £
Cost	
At 2 January 2011 and 31 December 2011	**27,000,000**
Amortisation	
At 2 January 2011	19,432,603
Provided for the year	2,700,000
At 31 December 2011	**22,132,603**
Net book value	
At 31 December 2011	**4,867,397**
At 1 January 2011	7,567,397

Licence fees are being amortised over their 10 year licence period

11 Tangible fixed assets

	Leasehold Land and Buildings £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 2 January 2011	153,691	27,085,436	801,480	28,040,607
Additions	-	2,048,100	-	2,048,100
Disposals	-	(82,457)	-	(82,457)
At 31 December 2011	**153,691**	**29,051,079**	**801,480**	**30,006,250**
Depreciation				
At 2 January 2011	104,155	11,683,450	534,052	12,321,657
Provided for the year	4,795	1,410,960	49,915	1,465,670
Disposals	-	(74,486)	-	(74,486)
At 31 December 2011	**108,950**	**13,019,924**	**583,967**	**13,712,841**
Net book value				
At 31 December 2011	**44,741**	**16,031,155**	**217,513**	**16,293,409**
At 1 January 2011	49,536	15,401,986	267,428	15,718,950

The net book value of leasehold land and buildings may be further analysed as follows

	31 December 2011 £	1 January 2011 £
Long leasehold	**10,128**	11,463
Short leasehold	**34,613**	38,073
	44,741	49,536

The aggregate amount of capital expenditure authorised and contracted for by the Directors at 31 December 2011 was £68,000 (2010 - £1,825,000)

12 Investments

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

The Company also 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 Stocks

	31 December 2011 £	1 January 2011 £
Raw materials	**117,754**	264,466
Engineering stocks	**240,201**	240,201
Consumable stocks	**62,123**	76,943
	420,078	581,610

There is no material difference between the replacement cost of stocks and the amounts stated above

14 Debtors

	31 December 2011 £	1 January 2011 £
Amounts receivable within one year		
Trade debtors	**371,571**	306,931
Amounts owed by group undertakings	**28,111,517**	26,895,637
Other debtors	**8,718**	11,892
Prepayments and accrued income	**218,971**	149,232
	28,710,777	27,363,692
Amounts receivable after more than one year		
Amounts owed by group undertakings - interest bearing	**18,000,000**	18,000,000
Total debtors	**46,710,777**	45,363,692

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 21 October 2023

15 Creditors: amounts falling due within one year

	31 December 2011 £	1 January 2011 £
Bank overdrafts (see note 21)	**1,429,489**	-
Trade creditors	**814,371**	703,548
Amounts owed to group undertakings	**6,998,616**	5,390,054
Taxation and social security	**232,301**	220,188
Other creditors	**96,893**	92,481
Accruals and deferred income	**507,049**	312,522
	10,078,719	6,718,793

16 Creditors: amounts falling due after more than one year

	31 December 2011 £	1 January 2011 £
5% cumulative preference shares	**200,000**	200,000

Maturity of debt

	Loans and overdrafts 31 December 2011 £	Loans and overdrafts 1 January 2011 £	Preference shares 31 December 2011 £	Preference shares 1 January 2011 £
In one year or less, or on demand	**1,429,489**	-	-	-
In more than five years	-	-	**200,000**	200,000

17 Provisions for liabilities

	Deferred taxation £
At 2 January 2011	1,175,125
Credited to profit and loss account	(360,826)
Effect of change in tax rateyear	(117,612)
Adjustment in respect of prior periods	412,639
At 31 December 2011	**1,109,326**

Deferred taxation

	31 December 2011 £	1 January 2011 £
Accelerated capital allowances	**1,122,005**	1,204,365
Sundry timing differences	**(12,679)**	(29,240)
	1,109,326	1,175,125

18 Share capital

	31 December 2011 £	1 January 2011 £
Allotted, called up and fully paid		
101,000 Ordinary shares of £1 each	**101,000**	101,000

19 Reserves

	Share premium account £	Other reserves £	Profit and loss account £
At 2 January 2011	19,916,225	25,567,397	15,685,240
Loss for the year	-	-	(3,865,345)
Dividends	-	-	(500,000)
At 31 December 2011	**19,916,225**	**25,567,397**	**11,319,895**

20 Reconciliation of movements in shareholders' funds

	31 December 2011 £	1 January 2011 £
Loss for the year/period	**(3,865,345)**	(2,624,708)
Dividends	**(500,000)**	(3,000,000)
Net deductions from shareholders' funds	**(4,365,345)**	(5,624,708)
Opening shareholders' funds	**61,269,862**	66,894,570
Closing shareholders' funds	**56,904,517**	61,269,862

21 Contingent liabilities

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 It had overdraft facilities set at £4 0m with Lloyds TSB (2010 - £4 0m), which were due for renewal in December 2011 (facility was temporarily extended during the refinancing noted below) The group also had a term loan and revolving credit facilities with Lloyds TSB until December 2014 The term loan had an outstanding balance of £12 0m (2010 - £15 0m) and incurred interest at between 2 5% and 3 0% per annum over the Libor rate The revolving credit facility has an outstanding balance of £4 5m (2010 - £3 0m) and incurs interest at between 2 25% to 2 75% per annum over Libor The facilities are secured by a fixed and floating charge over the assets of the group

As at 31 December 2011, the group's net debt under the above facilities totalled £16 4m (1 January 2011 - £17 9m)

In addition subsequent to the year end the UK and Channel Island banking facilities have been separated The company is now only party to cross guarantees to the UK banking facility which total £12m as noted in Note 1

22 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 31 December 2011 £	Other 31 December 2011 £	Land and buildings 1 January 2011 £	Other 1 January 2011 £
Operating leases which expire				
Within one year	-	69,278	3,813	73,574
In two to five years	18,860	129,810	4,448	260,489
After five years	488,326	-	493,908	-
	507,186	199,088	502,169	334,063

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 £498,000 (2010 - £534,000)

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 31 December 2011, using the projected unit method, as required by FRS17 has been obtained and is disclosed in the accounts of the Claverley Group Limited

The valuation of the two schemes at 31 December 2011, calculated by the actuary on an FRS17 basis, shows a deficit on the scheme of £13,460,000 (2010 - £38,860,000)

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 deficits which relates solely to Shropshire Newspapers Limited Full details of the pension schemes are given in the accounts of the ultimate parent company

The measurement bases required by FRS17 are likely to give rise to significant fluctuations 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 the independent actuaries using long term assumptions

24 Related party disclosures

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

25 Ultimate parent company and parent undertaking of larger group

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

On 3 July 2012 the ultimate parent undertaking became Claverley Holdings Limited, registered in England and Wales