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Shropshire Newspapers Limited

Report and Financial Statements

Period Ended

29 December 2012

Company Number 123264

Shrophire Newspapers Limited

Report and financial statements
for the period ended 29 December 2012

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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 period ended 29 December 2012

The directors present their report together with the audited financial statements for the period ended 29 December 2012

Results and dividends

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

The Directors paid an interim dividend of £Nil (2011 - £500,000) They do not propose the payment of a final dividend (2011 - £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

Against a backdrop of unfavourable economic conditions, the company has taken positive steps to ensure it remains the leading media business for local readers and advertisers across the Shropshire It has launched new titles, invested in staff development and built upon its tradition of industry innovation by claiming a number of digital technology firsts The advertising department has been reorganised to place the focus firmly on customer relationship management, while the editorial products have been modernised to further engage with readers With the economic uncertainty expected to continue, the business will continue to evolve to shape a confident new future within the changing media landscape

The challenging economic climate resulted in another difficult trading year A decline in advertising spend and the continued fall of evening title sales, issues faced by all regional newspaper groups, meant the company remained under pressure throughout 2012 resulting in the focus on cost control by management continuing to be of the up most importance

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

	52 weeks ended 29 December 2012 £	**52 weeks ended 31 December 2011 £**
Revenue	**15,228,634**	16,241,191
Operating loss	**(2,889,521)**	(5,148,224)
Capital expenditure	**166,241**	2,048,100

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

Financial instruments

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

As highlighted in note 21 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 overdraft facility is due for renewal in July 2013 and the group are in advanced discussions to renew this facility and expect renewed facilities to be concluded during August 2013 The group also has a term loan facility until September 2017

During the year the group completed a re-financing, splitting its facilities between operations located in the UK and those located in the Channel Islands under the Guiton Group This resulted in a reduction in the company's exposure to the group's net debt as disclosed in note 21 to the accounts

To manage interest risk, during the year, the group companies took out a fixed rate to floating rate LIBOR interest swap on £4m of the £8m fixed term loan taken out with Lloyds TSB in July 2012 The fair value of the interest rate swap at 29 December 2012 was £56k

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

Operating expenses

Operating expenses decreased in the year by £3,267,000 as the company reduced costs to reflect the lower revenues Operating expenses included exceptional items of £370,904 (2011 £575,217)

Balance sheet

The net book value of tangible fixed assets decreased by £1,382,000 due to the control of capital expenditure

The movement in current debtors and creditors, a decrease of £668,259, is affected by group accounts, as excluding group accounts net current assets increased by £184,732

Margins

Gross margins excluding the exceptional item decreased in the period due to the decline in revenue The gross margin percentage improved despite the increase in our key consumable, newsprint, due to cost saving measures implemented in the pricing process

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

Employee participation

The directors recognise the importance of good communications and relations with staff members During the year a group wide intranet site was launched together with an annual staff survey Annual performance reviews with all members of staff are undertaken The group 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

With many commentators predicting that consumer confidence may not be restored until the end of 2014, the economic uncertainty is expected to continue But the company will continue to develop, adapting to meet the changing needs of advertisers and readers

The launch of an improved Saturday newspaper, backed by a high impact promotional campaign, is expected to improve the company's cash flow

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 period were

M G Douglas Graham (Chairman)
G W Evers
P R Guy

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 Ewers

Director

24 July 2013

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 52 week period ended 29 December 2012 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 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 Financial Reporting Council's website at www frc org uk/auditscopeukprivate

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 29 December 2012 and of its loss for the period 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 period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

BDO LLP

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

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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 period ended 29 December 2012

	Note	52 weeks ended 29 December 2012 £	52 weeks ended 31 December 2011 £
Turnover	2	**15,228,634**	16,241,191
Net operating expenses - including exceptional costs of £370,904 (2011 - £575,217)		**18,121,921**	21,389,415
Gross loss		**(2,893,287)**	(5,148,224)
Other operating income		**3,766**	-
Operating loss	4	**(2,889,521)**	(5,148,224)
Other interest receivable and similar income	7	**1,289,887**	1,227,053
Interest payable and similar charges	8	**(264,973)**	(9,973)
Loss on ordinary activities before taxation		**(1,864,607)**	(3,931,144)
Taxation on loss on ordinary activities	9	**(978,562)**	65,799
Loss on ordinary activities after taxation		**(2,843,169)**	(3,865,345)

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

The notes on pages 10 to 22 form part of these financial statements

Shropshire Newspapers Limited

Balance sheet
at 29 December 2012

Company number 123264	Note	29 December 2012 £	29 December 2012 £	31 December 2011 £	31 December 2011 £
Fixed assets					
Intangible assets	11		**3,650,397**		4,867,397
Tangible assets	12		**14,910,737**		16,293,409
Fixed asset investments			**2**		2
			18,561,136		21,160,808
Current assets					
Stocks	14	**348,881**		420,078	
Debtors - due within one year	15	**29,951,997**		28,710,777	
Debtors - due after more than one year	15	**18,000,000**		18,000,000	
Total debtors		**47,951,997**		46,710,777	
Cash at bank and in hand		**25,420**		899	
		48,326,298		47,131,754	
Creditors: amounts falling due within one year	16	**11,988,198**		10,078,719	
Net current assets			**36,338,100**		37,053,035
Total assets less current liabilities			**54,899,236**		58,213,843
Creditors amounts falling due after more than one year	17	**200,000**		200,000	
Provisions for liabilities	18	**637,888**		1,109,326	
			837,888		1,309,326
			54,061,348		56,904,517

The notes on pages 10 to 22 form part of these financial statements

Shroprshire Newspapers Limited

Balance sheet
at 29 December 2012 *(continued)*

	Note	29 December 2012 £	29 December 2012 £	31 December 2011 £	31 December 2011 £
Capital and reserves					
Called up share capital	19		**101,000**		101,000
Share premium account	20		**19,916,225**		19,916,225
Other reserves	20		**21,650,397**		25,567,397
Profit and loss account	20		**12,393,726**		11,319,895
Shareholders' funds	21		**54,061,348**		56,904,517

The financial statements were approved by the board of directors and authorised for issue on 24 July 2013

G W Evers
Director

The notes on pages 10 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 29 December 2012 (2011 - 52 weeks ended 31 December 2011)

The following principle accounting policies have been applied

Fundamental accounting concept

The financial statements have been prepared on the going concern basis As detailed in the Directors Report on page 1, 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

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

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

1 Accounting policies *(continued)*

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

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

3 Net operating expenses

	52 weeks ended 29 December 2012 £	52 weeks ended 31 December 2011 £
Raw materials and consumables	2,309,964	2,727,281
Staff costs (note 5)	6,975,214	7,205,696
Depreciation of tangible assets	1,535,297	1,465,670
Amortisation of intangible assets	1,217,000	2,700,000
Other operating charges	5,856,227	6,875,692
Other operating income	(142,685)	(160,141)
Exceptional items	370,904	575,217
	18,121,921	21,389,415

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

4 Operating loss

	52 weeks ended 29 December 2012 £	52 weeks ended 31 December 2011 £
This is arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	**1,535,297**	1,465,670
Amortisation of other intangible fixed assets	**1,217,000**	2,700,000
Hire of plant and machinery - operating leases	**231,933**	312,161
Hire of other assets - operating leases	**517,481**	510,097
Fees payable to the company's auditor for the auditing of the company's annual accounts	**9,210**	9,210
- taxation services	**8,731**	8,731
- other services	**-**	6,780
(Profit) on disposal of fixed assets	**(23,618)**	(11,476)

5 Employees

Staff costs (including directors) consist of

	52 weeks ended 29 December 2012 £	52 weeks ended 31 December 2011 £
Wages and salaries	**5,899,316**	6,085,471
Social security costs	**598,558**	622,647
Other pension costs	**477,340**	497,577
	6,975,214	7,205,695

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

	52 weeks ended 29 December 2012 Number	52 weeks ended 31 December 2011 Number
Sales and administration	**184**	163
Product and distribution	**79**	128
	263	291

6 Directors' remuneration

	52 weeks ended 29 December 2012 £	52 weeks ended 31 December 2011 £
Directors' emoluments	**95,397**	353,213
Company contributions to money purchase pension schemes	**12,678**	22,860

The total amount payable to the highest paid director in respect of emoluments was £95,397 (2011 - £253,868) Company pension contributions of £12,678 (2011 - £10,440) were made to a money purchase scheme on their behalf

There is 1 (2011 - 2) Director to whom retirement benefits are accruing under this scheme

7 Other interest receivable and similar income

	52 weeks ended 29 December 2012 £	52 weeks ended 31 December 2011 £
Bank deposits	**2,058**	-
Loans to group companies	**1,287,829**	1,227,053
	1,289,887	1,227,053

8 Interest payable and similar charges

	52 weeks ended 29 December 2012 £	52 weeks ended 31 December 2011 £
Other Interest	**255,000**	-
Preference share dividend	**9,973**	9,973
	264,973	9,973

9 Taxation on loss on ordinary activities

Adjustments in respect of prior periods Prior year tax returns between 2005 and 2008 have been revised during the current year to reflect the company's current estimate of its corporation and deferred tax position

	52 weeks ended 29 December 2012 £	52 weeks ended 31 December 2011 £
UK Corporation tax - adjustments in respect of previous periods		
Corporation tax and group relief	**1,450,000**	-
Deferred tax - adjustments in respect of previous periods		
Movement on capital allowances and depreciation	**(324,251)**	412,639
Deferred tax - adjustments in respect of current year		
Short term timing differences	**(9,381)**	(360,826)
Effect of changes in tax rate	**(137,806)**	(117,612)
Movement in deferred tax provision	**(471,438)**	(65,799)
Taxation on loss on ordinary activities	**978,562**	(65,799)

The tax assessed for the period is different to the standard rate of corporation tax in the UK applied to loss before tax The differences are explained below

	52 weeks ended 29 December 2012 £	52 weeks ended 31 December 2011 £
Loss on ordinary activities before tax	**(1,864,607)**	(3,931,144)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 24% (2011 - 26%)	**(447,506)**	(1,022,097)
Effect of		
Expenses not deductible for tax purposes	**361,374**	707,619
Capital allowances for period less than depreciation	**308,840**	376,169
Short term timing differences	**40,445**	(910)
Adjustments in respect of prior periods	**1,450,000**	-
Transfer pricing adjustment	**93,964**	127,243
Group relief surrendered/(received) for nil payment	**(357,117)**	258,254
Worldwide debt cap exemption	**-**	(446,278)
Current tax charge for the period	**1,450,000**	-

10 Dividends

	52 weeks ended 29 December 2012 £	52 weeks ended 31 December 2011 £
Ordinary shares		
Interim paid of £nil (2011 - £4 95) per share	-	500,000

11 Intangible fixed assets

	Licence Fees £
Cost	
At 1 January 2012 and 29 December 2012	**27,000,000**
Amortisation	
At 1 January 2012	22,132,603
Provided for the period	1,217,000
At 29 December 2012	**23,349,603**
Net book value	
At 29 December 2012	**3,650,397**
At 31 December 2011	4,867,397

Licence fees were previously being amortised over a 10 year licence period However due to the current economic conditions the owner of the mastheads provided an extension to the current licence period and therefore the licence fees are now being amortised over a 12 year licence period

12 Tangible fixed assets

	Leasehold Land and Buildings £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 January 2012	153,691	29,051,079	801,480	30,006,250
Additions	-	163,822	2,419	166,241
Disposals	-	(293,424)	-	(293,424)
At 29 December 2012	**153,691**	**28,921,477**	**803,899**	**29,879,067**
Depreciation				
At 1 January 2012	108,950	13,019,924	583,967	13,712,841
Provided for the period	4,795	1,463,704	66,798	1,535,297
Disposals	-	(279,808)	-	(279,808)
At 29 December 2012	**113,745**	**14,203,820**	**650,765**	**14,968,330**
Net book value				
At 29 December 2012	**39,946**	**14,717,657**	**153,134**	**14,910,737**
At 31 December 2011	44,741	16,031,155	217,513	16,293,409

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

	29 December 2012 £	31 December 2011 £
Long leasehold	**8,797**	10,128
Short leasehold	**31,149**	34,613
	39,946	44,741

The aggregate amount of capital expenditure authorised and contracted for by the Directors at 29 December 2012 was £48,000 (2011 - £68,000)

13 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

14 Stocks

	29 December 2012 £	31 December 2011 £
Raw materials	**120,586**	117,754
Engineering stocks	**140,201**	240,201
Consumable stocks	**88,094**	62,123
	348,881	420,078

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

15 Debtors

	29 December 2012 £	31 December 2011 £
Amounts receivable within one year		
Trade debtors	**385,117**	371,571
Amounts owed by group undertakings	**29,399,371**	28,111,517
Other debtors	**4,041**	8,718
Prepayments and accrued income	**163,468**	218,971
	29,951,997	28,710,777
Amounts receivable after more than one year		
Amounts owed by group undertakings - interest bearing	**18,000,000**	18,000,000
Total debtors	**47,951,997**	46,710,777

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

16 Creditors: amounts falling due within one year

	29 December 2012 £	31 December 2011 £
Bank overdrafts (see note 22)	-	1,429,489
Trade creditors	**620,063**	814,371
Amounts owed to group undertakings	**8,706,137**	6,998,616
Taxation and social security	**1,181,458**	232,301
Group relief payable	**480,000**	-
Other creditors	**130,026**	96,893
Accruals and deferred income	**870,514**	507,049
	11,988,198	10,078,719

17 Creditors: amounts falling due after more than one year

	29 December 2012 £	31 December 2011 £
5% cumulative preference shares	**200,000**	200,000

Maturity of debt

	Loans and overdrafts 29 December 2012 £	Loans and overdrafts 31 December 2011 £	Preference shares 29 December 2012 £	Preference shares 31 December 2011 £
In one year or less, or on demand	-	1,429,489	-	-
In more than five years	-	-	**200,000**	200,000

18 Provisions for liabilities

	Deferred taxation £
At 1 January 2012	1,109,326
Credited to profit and loss account	(471,438)
At 29 December 2012	**637,888**

Deferred taxation

	29 December 2012 £	31 December 2011 £
Accelerated capital allowances	**688,313**	1,122,005
Sundry timing differences	**(50,425)**	(12,679)
	637,888	1,109,326

19 Share capital

	29 December 2012 £	31 December 2011 £
Allotted, called up and fully paid		
101,000 ordinary shares of £1 each	**101,000**	101,000

20 Reserves

	Share premium account £	Other reserves £	Profit and loss account £
At 1 January 2012	19,916,225	25,567,397	11,319,895
Loss for the period	-	-	(2,843,169)
Transfers	-	(3,917,000)	3,917,000
At 29 December 2012	**19,916,225**	**21,650,397**	**12,393,726**

21 Reconciliation of movements in shareholders' funds

	29 December 2012 £	31 December 2011 £
Loss for the period	**(2,843,169)**	(3,865,345)
Dividends	**-**	(500,000)
Net deductions from shareholders' funds	**(2,843,169)**	(4,365,345)
Opening shareholders' funds	**56,904,517**	61,269,862
Closing shareholders' funds	**54,061,348**	56,904,517

22 Contingent liabilities

During the year the company was party to cross guarantees in respect of group banking facilities These facilities were made available to the company to meet its day to day working capital requirements The facilities are secured by a fixed and floating charge over the assets of the group

As at 29th December 2012, the group's net debt under the above facilities totalled £6 4m (2011 – £16 4m)

23 Commitments under operating leases

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

	Land and buildings 29 December 2012 £	Other 29 December 2012 £	Land and buildings 31 December 2011 £	Other 31 December 2011 £
Operating leases which expire				
Within one year	**375**	**-**	-	69,278
In two to five years	**20,660**	**217,027**	18,860	129,810
After five years	**489,793**	**-**	488,326	-
	510,828	**217,027**	507,186	199,088

24 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 £477,000 (2011 - £498,000)

The most recent formal valuation of the scheme was carried out as at 5th April 2011 using the projected unit method

In order to provide information about the funding position of the scheme, a separate valuation at 29 December 2012, 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 29 December 2012, calculated by the actuary on an FRS17 basis, shows a deficit on the scheme of £25,050,000 (2011 - £13,460,000)

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

25 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

26 Ultimate parent company and parent undertaking of larger group

The largest group in which the results of the company are consolidated is that headed by Claverley Holdings Limited, incorporated in England and Wales The smallest group in which they are consolidated is that headed by The Midland News Association Limited, incorporated in England and Wales The consolidated accounts are available to the public and may be obtained from the registered office

The ultimate parent undertaking is Claverley Holdings Limited, registered in England and Wales