COMPANIES HOUSE COPY

Shropshire Newspapers Limited

Report and Financial Statements

53 week period ended

2 January 2016

Company Number 00123264

Shropshire Newspapers Limited

Company Information

Directors	G W Evers (Chairman) G P Clifford (appointed 24 March 2015) P A Inman (appointed 24 March 2015) T W Graham (appointed 29 July 2015) Edward A Graham (appointed 29 July 2015)
Company secretary	S J Brown
Registered number	00123264
Registered office	51 - 53 Queen Street West Midlands Wolverhampton WV1 1ES
Independent auditors	BDO LLP Two Snowhill Birmingham B4 6GA

Shropshire Newspapers Limited

Contents

Shropshire Newspapers Limited

Strategic Report
For the 53 week period Ended 2 January 2016

The directors present their strategic report together with the audited financial statements for the 53 weeks ended 2 January 2016

Business model

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

Business review and outlook
The company has continued to develop its popular print and digital portfolio to meet the changing needs of readers and advertisers across Shropshire

It has invested in its printed products to reach new audiences and grown its digital operation to benefit from the growth of online usage, while increasing efficiencies to manage costs As regional publishing markets continue to evolve, the business will diversify its activity to grow its mix of traditional and new businesses

A better performance than forecast resulted in an improved trading performance in comparison to the prior year offset by an increase in net interest costs Advertising revenues and daily newspaper sales continued to decline, which has been an ongoing trend for the majority of newspaper groups, but careful cost management helped the overall performance

Principal risks and uncertainties
The company manages competitive trading risk by providing an unrivalled service to its customers, however the performance of the company is dependent on the local economy Circulation risk is managed by providing a quality product which is considered to be one of the primary sources of news in the region

The company is exposed to the movement in price of its key consumable, newsprint

Financial key performance indicators
Key performance indicators include revenue, operating results and capital expenditure

	2 January 2016 £	27 December 2014 £
Revenue	**13,255,568**	14,024,445
Operating loss	**(1,991,959)**	(2,744,113)
Capital expenditure	**25,910**	145,334

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

This report was approved by the board on 10 June 2016 and signed on its behalf

G W Evers (Chairman)
Director

Directors' Report
For the 53 week period Ended 2 January 2016

The directors present their report and the financial statements for the 53 week period ended 2 January 2016

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' Under company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- 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

Results and dividends

The loss for the 53 week period, after taxation, amounted to £3,729,539 (2014 - £780,005)

No dividend has been paid or proposed in the period (27 December 2014 £Nil) The Directors do not propose the payment of a final dividend

Directors

The directors who served during the 53 week period were

G W Evers (Chairman)
P R Guy (resigned 29 July 2015)
G P Clifford (appointed 24 March 2015)
P A Inman (appointed 24 March 2015)
D J Hughes (appointed 24 March 2015, resigned 30 April 2016)
T W Graham (appointed 29 July 2015)
Edward A Graham (appointed 29 July 2015)
M G D Graham (deceased 21 March 2015)

Shropshire Newspapers Limited

Directors' Report
For the 53 week period Ended 2 January 2016

Future developments

Economic conditions remain somewhat unpredictable due to the performance of the oil and energy markets, as well as the impact on the UK economy of changes in the Chinese economy The EU referendum is also expected to impact on advertising client and consumer spend, as the UK's future in Europe is decided

Amid these conditions, the company will continue to support its traditional and online operations to build on profitable print and drive digital growth, securing a stronger future for the business as a whole

As news and information consumption continues to change, the company will in turn evolve to ensure it offers the maximum value for readers and advertisers both in print and online

Financial instruments

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

As highlighted in note 23 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 2016 The group also has a term loan facility until September 2017

The group also has a receivables finance agreement with Lloyds Bank Commercial Finance to provide additional working capital facilities of up to £6m, which is due for renewal in July 2016

To manage interest risk, the group has 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 is not considered material to the financial statements

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

Employee participation

The directors recognise the importance of good communications and relations with staff members The company wide intra net is used to regularly update staff on the progress of the company and other general information A staff survey was undertaken during the period and staff continue to be given a personal review session with their line managers 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

Shropshire Newspapers Limited

Directors' Report
For the 53 week period Ended 2 January 2016

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 10 June 2016 and signed on its behalf

G W Elers (Chairman)
Director

Independent Auditor's report to the members of Shropshire Newspapers Limited

We have audited the financial statements of Shropshire Newspapers Limited for the 53 week period ended 2 January 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'

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 Financial Reporting Council's (FRC'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 FRC'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 2 January 2016 and of the company's 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 matters prescribed by the Companies Act 2006

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

Shropshire Newspapers Limited

Independent Auditor's report to the members of Shropshire Newspapers Limited

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 by the parent company, 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

Stephen Hale (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
Birmingham
United Kingdom

17 June 2016

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

Shropshire Newspapers Limited

Statement of Comprehensive Income
For the 53 week period Ended 2 January 2016

	Note	53 weeks ended 2 January 2016 £	52 weeks ended 27 December 2014 £
Turnover		**13,255,568**	14,024,445
Net operating expenses - including exceptional costs of £590,519 (2014 - £907,021)		**(15,247,527)**	(16,768,558)
Operating loss		**(1,991,959)**	(2,744,113)
Income from fixed assets investments		**150,660**	451,980
Interest receivable and similar income	8	**1,473,145**	1,407,373
Interest payable and similar charges (including exceptional costs note 18)	9	**(1,049,205)**	(28,973)
Loss on ordinary activities before taxation		**(1,417,359)**	(913,733)
Taxation on loss on ordinary activities (including exceptional charge note 18)	10	**(2,312,180)**	133,728
Loss for the financial period		**(3,729,539)**	(780,005)
Total comprehensive income for the period		**(3,729,539)**	(780,005)

The notes on pages 11 to 34 form part of these financial statements

Shropshire Newspapers Limited
Registered number: 00123264

Statement of Financial Position
As at 2 January 2016

	Note		2 January 2016 £		27 December 2014 £
Fixed assets					
Intangible assets	11		-		1,216,397
Tangible assets	12		**10,923,297**		12,351,931
Investments			**2**		2
Investment property	13		**190,000**		190,000
			11,113,299		13,758,330
Current assets					
Stocks		**280,947**		310,455	
Debtors amounts falling due after more than one year	16	**36,643,679**		36,643,679	
Debtors amounts falling due within one year	16	**14,669,279**		13,128,573	
Cash at bank and in hand	17	**516,494**		785,073	
		52,110,399		50,867,780	
Creditors amounts falling due within one year	18	**(12,871,393)**		(10,725,287)	
Net current assets			**39,239,006**		40,142,493
Total assets less current liabilities			**50,352,305**		53,900,823
Creditors amounts falling due after more than one year	19		**(310,058)**		(2,265,140)
Provisions for liabilities					
Deferred tax		**-**		(208,487)	
Net assets			**50,042,247**		51,427,196

Shropshire Newspapers Limited
Registered number: 00123264

Statement of Financial Position (continued)
As at 2 January 2016

Capital and reserves			
Called up share capital	22	**101,000**	101,000
Share premium account		**19,916,225**	19,916,225
Other reserves		**17,999,397**	19,216,397
Profit and loss account		**12,025,625**	12,193,574
		50,042,247	51,427,196

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 June 2016

G W Evers (Chairman)
Director

The notes on pages 11 to 34 form part of these financial statements

Shropshire Newspapers Limited

Statement of Changes in Equity
As at 2 January 2016

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total equity £
At 28 December 2014	101,000	19,916,225	19,216,397	12,193,574	51,427,196
Loss for the 53 week period	-	-	-	(3,729,539)	(3,729,539)
Total comprehensive income for the period	-	-	-	(3,729,539)	(3,729,539)
Transfer	-	-	(1,217,000)	1,217,000	-
Intercompany loan waiver (note 28)	-	-	-	2,344,590	2,344,590
Total contributions by and distributions to owners, and transfers	-	-	(1,217,000)	3,561,590	2,344,590
At 2 January 2016	101,000	19,916,225	17,999,397	12,025,625	50,042,247

Statement of Changes in Equity
As at 27 December 2014

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total equity £
At 1 December 2013	101,000	19,916,225	20,433,397	11,737,202	52,187,824
Loss for the 52 week period	-	-	-	(780,005)	(780,005)
Total comprehensive income for the period	-	-	-	(780,005)	(780,005)
Contributions by and distributions to owners					
Transfer	-	-	(1,217,000)	1,217,000	-
Fair value adjustment on intercompany loan	-	-	-	19,377	19,377
Total contributions by and distributions to owners, and transfers	-	-	(1,217,000)	1,236,377	19,377
At 27 December 2014	101,000	19,916,225	19,216,397	12,193,574	51,427,196

The notes on pages 11 to 34 form part of these financial statements

1. Accounting policies

1.1 Basis of preparation of financial statements

The fınancıal statements have been prepared ın accordance wıth FRS 102 The Fınancıal Reportıng Standard applıcable ın the Unıted Kıngdom and the Republıc of Ireland, under the hıstorıcal cost conventıon other than reflectıng certaın fınancıal ınstruments at faır value, and ın accordance wıth the Companıes Act 2006

FRS 102 ıs mandatory for accountıng perıods begınnıng on or after 1 January 2015, but may be applıed early to perıods endıng on or after 31 December 2012 Shropshıre Newspapers Lımıted has taken the optıon to apply the standard early ın the preparatıon of the fınancıal statements for the year ended 2 January 2016 Informatıon on the ımpact of fırst-tıme adoptıon of FRS 102 ıs gıven ın Note 29

The accounts have been prepared usıng the reduced dısclosure exemptıons permıtted by FRS 102 The accounts therefore do not ınclude

- The requırements of Sectıon 4 Statement of Fınancıal Posıtıon paragraph 4 12 (a) (ıv),
- The requırements of Sectıon 7 Statement of cash flows,
- The requırements of Sectıon 3 Fınancıal Statement Presentatıon paragraph 3 17(d),
- The requırements of Sectıon 11 Fınancıal Instruments paragraphs 11 41(b), 11 41(c), 11 41(e), 11 41(f),11 42, 11 44, 11 45, 11 47, 11 48(a)(ııı), 11 48(a)(ıv), 11 48(b) and 11 48(c),
- The requırements of Sectıon 33 Related Party Dısclosures paragraph 33 7

The preparatıon of fınancıal statements ın complıance wıth FRS 102 requıres the use of certaın crıtıcal accountıng estımates It also requıres Company management to exercıse judgment ın applyıng the Company's accountıng polıcıes

The accounts have been prepared ın the company's functıonal currency, pounds sterlıng

The followıng prıncıpal accountıng polıcıes have been applıed consıstently

1.2 Fundamental accountıng concept

The fınancıal statements have been prepared on the goıng concern basıs As detaıled ın the Strategıc Report on page 1, the Dırectors have consıdered the prıncıpal rısks and uncertaıntıes that apply to the busıness and belıeve that ıt ıs approprıate to contınue to prepare accounts on thıs basıs

Shropshire Newspapers Limited

Notes to the Financial Statements
For the 53 week period Ended 2 January 2016

1. Accounting policies (continued)

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured Revenue is measured as the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes

Advertising Revenue
These criteria are considered to be met when the amount of revenue can be measured reliably, it is probable that the company will receive the consideration due under the transaction and the costs incurred or to be incurred in respect of the transaction can be measured reliably This is when the advertisement has been placed in the newspaper or on the digital platform

Circulation Revenue
These criteria are considered to be met when the company has transferred the significant risks and rewards of ownership to the customer, the amount of revenue can be measured reliably, it is probable that the company will receive the consideration due under the transaction and the costs incurred or to be incurred in respect of the transaction can be measured reliably This is when the newspapers have been delivered to the customer

1.4 Intangible assets - licence fee

Intangible assets are initially recognised at cost After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses

Intangible assets are amortised on a straight line basis over their estimated useful life up to a maximum of ten years

1.5 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company The carrying amount of the replaced part is derecognised Repairs and maintenance are charged to profit or loss during the period in which they are incurred

1. Accounting policies (continued)

Land is not depreciated Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method

The estimated useful lives range as follows

Leasehold property	-	Over lease term
Plant and machinery	-	5 - 33% per annum
Fixtures and fittings	-	7 5 - 20% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'net operating expenses' in the statement of comprehensive income

1. Accounting policies (continued)

1.6 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs) Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date

1.7 Investment properties

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset No depreciation is provided Changes in fair value are recognised in the income statement

1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment

Investments in unlisted company shares, which have been classified as fixed asset investments as the company intends to hold them on a continuing basis are remeasured to market value at each Statement of Financial Position date Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period

1.9 Stocks

Stocks which comprise principally of newsprint and consumable stores are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell Cost is based on the cost of purchase on a first in, first out basis Work in progress and finished goods include labour and attributable overheads Net realisable value is based on estimated selling price less additional costs to completion and disposal

At each reporting date, inventories are assessed for impairment If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell The impairment loss is recognised immediately in profit or loss

1. Accounting policies (continued)

1.10 Exceptional items

Exceptional items are items incurred which fall within ordinary activities of the business and are material by virtue to their size or incidence and are therefore highlighted separately

1.11 Debtors

Short term debtors are measured at transaction price, less any impairment Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment

1.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value

1.13 Related Party transactions

The company was a wholly owned subsidiary of The Midland News Association Limited and has taken advantage of the exemption conferred by Section 33 of FRS 102 not to disclose transactions with The Midland News Association Limited or other wholly owned subsidiaries within the group

1.14 Financial instruments

Basic financial instruments

Financial assets

Financial assets comprise cash at bank and in hand, trade debtors, other debtors, and amounts owed by group undertakings, these are initially recorded at cost on the date they originate and are subsequently recorded at amortised cost under the effective interest method The company considers evidence of impairment for all individual trade and other debtors and amounts owed by company undertakings, and any subsequent impairment is recognised in profit or loss

Impairment of financial assets carried at amortised cost

Impairment provisions are recognised when there is objective evidence that a financial asset or group of financial assets is impaired Objective evidence includes significant financial difficulties of the counterparty, default or significant delays in payment

Impairment provisions represent the difference between the net carrying amount of a financial asset and the present value of the expected future cash receipts from that asset

1 **Accounting policies (continued)**

Financial liabilities

Financial liabilities comprise trade creditors, other creditors, corporation tax payable, other tax and social security, accruals and amounts due to group undertakings, these are initially recorded at cost on the date they originate, and are subsequently carried at amortised cost under the effective interest method

1.15 Creditors

Short term creditors are measured at the transaction price Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method

1.16 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument

1.17 Dividends

Equity dividends are recognised when they become legally payable Interim equity dividends are recognised when paid Final equity dividends are recognised when approved by the shareholders at an annual general meeting Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable

1.18 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity Once the contributions have been paid the company has no further payments obligations

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due Amounts not paid are shown in accruals as a liability in the Statement of Financial Position The assets of the plan are held separately from the company in independently administered funds

Group pension plan

Where the risks of a defined benefit plan are shared between entities under common control, the net defined benefit cost is recognised in the financial statements of the group entity which is legally responsible for the plan and all other group entities recognise a cost equal to their contribution payable for the period

Notes to the Financial Statements
For the 53 week period Ended 2 January 2016

1. Accounting policies (continued)

1.19 Interest income

Interest income is recognised in the Income Statement using the effective interest method

1.20 Provisions for Liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation

Provisions are charged as an expense to the Income Statement in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position

1. Accounting policies (continued)

1.21 Current and deferred taxation

The tax expense for the 53 week period comprises current and deferred tax Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits, and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date

1. Accounting policies (continued)

1.22 Leased assets

Operating lease rentals are charged to the statement of comprehensive income on a straight-line basis over the term of the lease
The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (29 December 2013) to continue to be charged over the period to the first market rent review rather than the term of the lease

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses

The estimates and associated assumptions are based on historic experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities and are not readily apparent from other sources Actual results may differ from these estimates The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are

A Bad debt provisions

The company has recognised provisions for bad debts This is based on an assessment of ageing and due date of receivables and other risk indicators The judgement of management is then applied to provide for debts which are no longer considered recoverable

B Carrying value of intangible assets

It is assumed that no further recharges will be made to group companies in respect of the intellectual property

3. Revenue

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

4. Net operating expenses

	53 weeks ended 2 January 2016 £	52 weeks ended 27 December 2014 £
Raw materials and consumables	**1,429,881**	1,858,414
Staff costs (note 6)	**5,325,685**	5,916,381
Depreciation of tangible assets	**1,447,009**	1,474,222
Amortisation of intangible assets	**1,216,397**	1,217,000
Other operating charges	**5,279,166**	5,563,895
Other operating income	**(41,130)**	(168,375)
Exceptional items	**590,519**	907,021
	15,247,527	16,768,558

Exceptional items in the current period relate to redundancy costs of £119,519 (27 December 2014 - £494,021) and contributions to the group's defined benefit scheme for past service pension costs of £471,000 (27 December 2014 - £413,000)

5. Operating loss

The operating loss is stated after charging/(crediting)

	53 weeks ended 2 January 2016 £	52 weeks ended 27 December 2014 £
Profit on the sale of fixed assets	**(5,525)**	-
Operating lease costs	**534,516**	646,632
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	**13,009**	12,754
- taxation services	**3,675**	3,603
Defined contribution pension cost	**359,919**	384,386

6. Employees

Staff costs, including directors' remuneration, were as follows

	53 weeks ended 2 January 2016 £	52 weeks ended 27 December 2014 £
Wages and salaries	**4,553,731**	5,056,361
Social security costs	**428,297**	475,634
Cost of defined contribution scheme	**343,657**	384,386
	5,325,685	5,916,381

As detailed in note 4 exceptional staff related costs of £590,519 (27 December 2014 - £907,021) have also been incurred

The average monthly number of employees, including the directors, during the 53 week period was as follows

	53 weeks ended 2 January 2016 No.	52 weeks ended 27 December 2014 No
Sales and administration	**111**	114
Production and distribution	**75**	79
	186	193

7. Directors' remuneration

	53 week period ended 2 January 2016 £	52 week period ended 27 December 2014 £
Directors' emoluments	**68,221**	105,995
Company contributions to defined contribution pension schemes	**7,753**	13,020

There are 2 (27 December 2014 – 1) directors to whom retirement benefits are accruing under the defined contribution scheme

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The remuneration and pension contributions of certain directors were borne by other group companies These are not disclosed here as it is not possible to apportion the share of their remunerations and pension costs attributable to this company .

8. Interest receivable

	53 weeks ended 2 January 2016 £	52 weeks ended 27 December 2014 £
Loans to group companies	**1,473,145**	1,407,373

9. Interest payable and similar charges

	53 weeks ended 2 January 2016 £	52 weeks ended 27 December 2014 £
Other interest (note 18)	**1,039,232**	19,000
Preference share dividends	**9,973**	9,973
	1,049,205	28,973

10. Taxation

	53 weeks ended 2 January 2016 £	52 weeks ended 27 December 2014 £
Corporation tax		
Adjustments in respect of prior period (note 18)	**2,523,576**	-
	2,523,576	-
Deferred tax		
Origination and reversal of timing differences	**(161,626)**	(138,379)
Changes to tax rates	**(17,635)**	-
Adjustment in respect of previous period	**(32,135)**	4,651
Total deferred tax	**(211,396)**	(133,728)
Taxation on loss on ordinary activities	**2,312,180**	(133,728)

10. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 20% (27 December 2014 - 21%) The differences are explained below

	53 weeks ended 2 January 2016 £	52 weeks ended 27 December 2014 £
Loss on ordinary activities before tax	**(1,417,359)**	(913,733)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014 -21%)	**(283,738)**	(192,269)
Effects of·		
Expenses not deductible for tax purposes	**246,700**	276,394
Effect of change in tax rate	**323**	-
Non-taxable income	**(30,132)**	(94,916)
Adjustments in respect of double taxation charge in prior periods (note 18)	**2,523,576**	-
Group relief surrendered for nil payment	**182,214**	167,960
Worldwide debt cap exemption	**(353,356)**	(357,212)
Transfer pricing adjustments	**58,728**	61,664
Other adjustment in respect of prior periods	**(32,135)**	4,651
Total tax charge for the period	**2,312,180**	(133,728)

Factors that may affect future tax charges

The corporation tax rate reduced to 20% on the 1 April 2015 The summer budget on 8 July 2015 announced that the rate will reduce to 19% as of 1 April 2017 and 18% as of 2020 This will reduce the company's future current tax accordingly Deferred tax has been calculated at 18% being the rate substantively enacted at the period end

11. Intangible assets

	Licence fees £
Cost	
At 28 December 2014	27,000,000
At 2 January 2016	**27,000,000**
Amortisation	
At 28 December 2014	25,783,603
Charge for the year	1,216,397
At 2 January 2016	**27,000,000**
Net book value	
At 2 January 2016	-
At 27 December 2014	1,216,397

12. Tangible fixed assets

	Leasehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 28 December 2014	121,992	28,255,962	875,511	29,253,465
Additions	-	15,873	10,037	25,910
Disposals	-	(43,278)	-	(43,278)
At 2 January 2016	**121,992**	**28,228,557**	**885,548**	**29,236,097**
Depreciation				
At 28 December 2014	97,765	16,080,322	723,447	16,901,534
Charge for the period	3,461	1,399,917	43,631	1,447,009
Disposals	-	(35,743)	-	(35,743)
At 2 January 2016	**101,226**	**17,444,496**	**767,078**	**18,312,800**
Net book value				
At 2 January 2016	**20,766**	**10,784,061**	**118,470**	**10,923,297**
At 27 December 2014	24,227	12,175,640	152,064	12,351,931

13. Investment property

	Freehold investment property £
Valuation	
At 28 December 2014	**190,000**
At 2 January 2016	**190,000**

The company's investment properties are valued annually at fair value, determined by an independent, professionally qualified valuer The valuations were undertaken in accordance with the Royal Instution of Chartered Surveyors' Appraisal and Valuation Manual With the exception of properties which have been sold in the year or shortly after the year end where market value has been utilised as the valuation method

If the investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows

	2 January 2016 £	27 December 2014 £
Historic cost	**31,429**	31,429
Accumulated depreciation and impairments	**(26,901)**	(25,569)
	4,528	5,860

14. 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 PA Group Limited which are included in the balance sheet at £Nil cost

15. Stocks

	2 January 2016 £	27 December 2014 £
Raw materials	**41,240**	73,042
Engineering stocks	**140,201**	140,201
Consumables and stocks	**99,506**	97,212
	280,947	310,455

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

16. Debtors

	2 January 2016 £	27 December 2014 £
Due after more than one year		
Amounts owed by group undertakings	**36,643,679**	36,643,679
	36,643,679	36,643,679

	2 January 2016 £	27 December 2014 £
Due within one year		
Trade debtors	**557,999**	474,335
Amounts owed by group undertakings	**14,048,403**	12,575,258
Other debtors	**1,563**	-
Prepayments and accrued income	**58,405**	78,980
Deferred taxation	**2,909**	-
	14,669,279	13,128,573

17. Cash and cash equivalents

	2 January 2016 £	27 December 2014 £
Cash at bank and in hand	**516,494**	785,073
	516,494	785,073

18. Creditors: Amounts falling due within one year

	2 January 2016 £	27 December 2014 £
Trade creditors	**364,395**	409,272
Amounts owed to group undertakings	**7,290,304**	8,489,642
Corporation tax	**3,493,576**	970,000
Taxation and social security	**130,856**	137,710
Other creditors	**90,130**	70,286
Accruals and deferred income	**1,502,132**	648,377
	12,871,393	10,725,287

The company is party to an HMRC enquiry into the tax implications of transactions that were entered into in prior years Similar transactions are the subject of litigation for another tax payer and the group is a follower of that case That other case was lost at the Upper Tribunal in April 2014 with the prospect of an additional taxation liability which is regarded as double taxation for the relevant tax payer Such double taxation would be unusual An appeal to the Court of Appeal by the lead tax payer has been re-scheduled for week commencing 4 July 2016 The group has previously fully provided for tax and interest in connection with the transactions although this liability is contested and the basis for this is also part of the proposed appeal In the current year the directors consider that Shropshire Newspapers Limited should record the double tax provision of £2 5m plus interest (£0 8m) for the additional contingent double taxation liability pending the determination of any appeal Full consideration has also been given to the group's overall ability to settle such an amount should it fall due

19. Creditors: Amounts falling due after more than one year

	2 January 2016 £	27 December 2014 £
Amounts owed to group undertakings	-	1,937,678
Other creditors	**110,058**	127,462
5% cumulative preference shares	**200,000**	200,000
	310,058	2,265,140

Disclosure of the terms and conditions attached to the non-equity shares is made in note 22

Maturity of debt

	Preference shares 2 January 2016 £	Preference shares 27 December 2014 £
In more than five years	**200,000**	200,000
	200,000	200,000

20. Deferred taxation

	Deferred tax £
At 28 December 2014	**(208,487)**
Charged during the period	**211,396**
At 2 January 2016	**2,909**

The deferred taxation balance is made up as follows

	2 January 2016 £	27 December 2014 £
Decelerated/(accelerated) capital allowances	**2,909**	(210,017)
Sundry timing differences	-	1,530
	2,909	(208,487)

21. Reserves

Share premium

Excess amount received in payment for ordinary share capital over its nominal value

Other reserves

Reclassification of reserves

Profit and loss account

Cumulative net gains and losses recognised in the statement of comprehensive income

22. Share capital

	2 January 2016 £	27 December 2014 £
Shares classified as equity		
Allotted, called up and fully paid		
101,000 ordinary shares of £1 each	**101,000**	101,000

Dividends

The profits of the company are available for distribution in respect of each accounting period In the event of winding up the company, surplus assets and retained profits of the company after payment of its liabilities are available for distribution among the members All shares carry voting rights of one vote per share

	2 January 2016 £	27 December 2014 £
Shares classified as debt		
Allotted, called up and fully paid		
200,000 5% cumulative preference shares of £1 each	**200,000**	200,000

23. 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 2nd January 2016, the group's net debt under the above facilities totalled £4 0m (2014 – £5 4m)

24. Pension commitments

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 There is no stated group policy for the charging costs of the defined benefit plan Therefore in accordance with FRS102 paragraph 28 11(A) (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 £359,919 (27 December 2014 - £384,386)

The most recent formal valuation of the scheme was carried out as at 5th April 2014 using the projected unit method

In order to provide information about the funding position of the scheme, a separate valuation at 2 January 2016, using the projected unit method, as required by FRS102 has been obtained and is disclosed in the accounts of the Claverley Group Limited

The valuations of the two schemes at 2 January 2016, calculated by the actuary on an FRS102 basis, shows a deficit on the scheme of £21,900,000 (27 December 2014 - £26,500,000)

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 FRS102 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. Commitments under operating leases

At 2 January 2016 the company had future minimum lease payments under non-cancellable operating leases as follows

	2 January 2016 £	27 December 2014 £
Not later than 1 year	**26,156**	67,733
Later than 1 year and not later than 5 years	**1,001,053**	1,456,093
Later than 5 years	**334,354**	387,604
Total	**1,361,563**	1,911,430

26. Related party transactions

Controlling parties

The Midlands News Association Limited is 99 3% owned by the Claverley Group Limited

Related party transactions and balances

During the period, aggregate sales to Claverley Group Limited and it's fellow companies, Nurton Holdings Limited, Precision Colour Printing Limited, Press Computer Systems Limited and Roughton Insurances Limited were £Nil (27 December 2014 – £Nil) and purchases from those companies were £285,000 (27 December 2014 - £282,000)

As at 2 January 2016, the company owed £24,000 (27 December 2014 - £12,000) to Precision Colour Printing Limited and was also owed £18,644,000 (27 December 2014 - £18,644,000) from Nurton Holdings Limited

27. Ultimate parent company and undertaking of a 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 Midlands 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

28. Inter company loan waiver

During the period a fellow subsidiary has waived a balance due to them, as a result this balance has been reflected as a capital contribution within retained earnings

29. First time adoption of FRS 102

	Note	As previously stated 29 December 2013 £	Effect of transition 29 December 2013 £	FRS 102 (as restated) 29 December 2013 £	As previously stated 27 December 2014 £	Effect of transition 27 December 2014 £	FRS 102 (as restated) 27 December 2014 £
Fixed assets	1	**16,122,180**	**182,038**	**16,304,218**	13,574,460	183,870	13,758,330
Current assets	3	**50,520,440**	**(932,184)**	**49,588,256**	51,799,964	(932,184)	50,867,780
Creditors amounts falling due within one year		**(11,464,269)**	**-**	**(11,464,269)**	(10,725,287)	-	(10,725,287)
Net current assets		**39,056,171**	**(932,184)**	**38,123,987**	**41,074,677**	(932,184)	**40,142,493**
Total assets less current liabilities		**55,178,351**	**(750,146)**	**54,428,205**	**54,649,137**	(748,314)	**53,900,823**
Creditors amounts falling due after more than one year		**(1,975,673)**	**77,507**	**(1,898,166)**	(2,362,024)	96,884	(2,265,140)
Provisions for liabilities		**(342,215)**	**-**	**(342,215)**	(208,487)	-	(208,487)
Net assets		**52,860,463**	**(672,639)**	**52,187,824**	**52,078,626**	(651,430)	**51,427,196**
Capital and reserves		**52,860,463**	**(672,639)**	**52,187,824**	52,078,626	(651,430)	51,427,196

29. First time adoption of FRS 102 (continued)

	Note	As previously stated 27 December 2014 £	Effect of transition 27 December 2014 £	FRS 102 (as restated) 27 December 2014 £
Turnover		14,024,445	-	14,024,445
Net operating expenses	1	(16,770,390)	1,832	(16,768,558)
		(2,745,945)	1,832	**(2,744,113)**
Operating loss		**(2,745,945)**	1,832	**(2,744,113)**
Income from investments		451,980	-	451,980
Interest receivable and similar income		1,407,373	-	1,407,373
Interest payable and similar charges		(19,000)	-	(19,000)
Dividends on shares treated as debt		(9,973)	-	(9,973)
Taxation		133,728	-	133,728
Loss on ordinary activities after taxation and for the financial period		**(781,837)**	1,832	**(780,005)**

Explanation of changes to previously reported profit and equity

1 Shropshire Newspapers Limited holds properties which in accordance with FRS102 are treated as investment properties These are measured at fair value with the change in fair value being recognised in profit or loss for the period Under previous UK GAAP these assets were recognised within tangible fixed assets at cost less accumulated depreciation and impairment This change has increased reported profit and has increased fixed assets for the period ended 29 December 2013 and 27 December 2014

2 FRS102 requires that for intergroup loans which are held as due over one year and are not at a market rate of interest they need to be measured at the current estimate of the present value of the future payments, discounted at the market rate of interest for a similar debt instrument Under previous GAAP these loans were measured at transaction price This change has increased reported retained earnings and decreased current assets and creditors falling due over one year for the period ended 29 December 2013 and 27 December 2014

3 There has also been a reclassification of group receivables from amounts falling due withing one year to amounts falling due after more than one year of £18,643,000 This restatement more accurately reflects the underlying nature of the balance