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Shropshire Newspapers Limited

Report and Financial Statements

52 week period ended

31 December 2016

Company Number 00123264

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Shropshire Newspapers Limited

Company Information

Directors
G W Evers (Chairman)
G P Clifford
P A Inman
T W Graham
Edward A Graham

Company secretary S J Brown

Registered number 00123264

Registered office
51-53 Queen Street
Wolverhampton
West Midlands
WV1 1ES

Independent auditor
BDO LLP
Two Snowhill
Birmingham
B4 6GA

Shropshire Newspapers Limited

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Shropshire Newspapers Limited

Strategic Report For the 52 week period ended 31 December 2016

The directors present their strategic report together with the audited financial statements for the 52 weeks ended 31 December 2016.

Business model

The principal activity of the company has continued to be that of newspaper and digital media publishing.

Business review and outlook

On 1 July 2016 the trade and assets of Shropshire Newspapers Limited were hived up to its immediate parent, The Midland News Association Limited and ceased to trade.

Up to the date of hive up the company continued to develop its popular print and digital portfolio to meet the changing needs of readers and advertisers across Shropshire.

It invested in its printed products to reach new audiences and grow 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.

Principal risks and uncertainties


Following the hive up the company ceased to trade and therefore no longer has any significant risks or monitors key performance indicators. The underlying trade is included in MNA and the directors of this company monitor their own principal risks and uncertainties and key performance indicators.

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 and is also committed to energy saving opportunities.

Approval

This report was approved by the board on 27 April 2017 and signed on its behalf.


.....
P A Inman
Director

Shropshire Newspapers Limited

Directors' Report For the 52 week period ended 31 December 2016

The directors present their report and the financial statements for the 52 week period ended 31 December 2016.

Results and dividends

The loss for the 52 week period, after taxation, amounted to £127,893 (2 January 2016 - £3,729,539).

On 1 July 2016 the trade and assets of Shropshire Newspapers Limited were hived up to its immediate parent, The Midland News Association Limited and ceased to trade.

A dividend has been paid of £49,914,352 (2 January 2016 - £Nil). The Directors do not propose the payment of a final dividend

Directors

The directors who served during the 52 week period were:

G W Evers (Chairman)
G P Clifford
P A Inman
T W Graham
Edward A Graham
D J Hughes (resigned 30 April 2016)

Post statement of financial position events

There have been no significant events affecting the company since the period end.

Disclosure of information to auditor

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

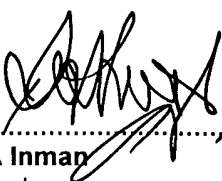
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor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

Auditor

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

Approval

This report was approved by the board on 27 April 2017 and signed on its behalf.


.....
P A Inman
Director

Shropshire Newspapers Limited

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 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; and
- 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, to disclose with reasonable accuracy at any time the financial position of the company and to 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.

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 31 December 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).

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 31 December 2016 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 matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Shropshire Newspapers Limited


Independent Auditor's Report to the Members of Shropshire Newspapers Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.



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

27 April 2017

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 52 week period ended 31 December 2016

	Note	52 weeks ended 31 December 2016 £	53 weeks ended 2 January 2016 £
Turnover	4	5,972,370	13,255,568
Net operating expenses - including exceptional costs of £366,296 (2 January 2016 - £590,519)		(6,870,889)	(15,247,527)
Operating loss	6	(898,519)	(1,991,959)
Income from fixed assets investments		-	150,660
Interest receivable and similar income	9	770,626	1,473,145
Interest payable and similar charges (including exceptional costs note 18)	10	-	(1,049,205)
Loss on ordinary activities before taxation		(127,893)	(1,417,359)
Taxation on loss on ordinary activities	11	-	(2,312,180)
Loss for the period		(127,893)	(3,729,539)
Total comprehensive income for the period		(127,893)	(3,729,539)

The notes on pages 10 to 29 form part of these financial statements.

Shropshire Newspapers Limited

Registered number:00123264

Statement of Financial Position As at 31 December 2016

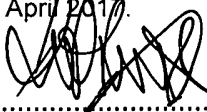
	Note	31 December 2016 £	2 January 2016 £
Fixed assets			
Tangible assets	14	-	10,923,297
Investments	16	-	2
Investment property	15	-	190,000
		<u>-</u>	<u>11,113,299</u>
Current assets			
Stocks	17	-	280,947
Debtors: amounts falling due after more than one year	18	-	36,643,679
Debtors: amounts falling due within one year	18	1	14,669,279
Cash at bank and in hand	19	-	516,494
		<u>1</u>	<u>52,110,399</u>
Creditors: amounts falling due within one year	20	-	(12,871,393)
Net current assets		<u>1</u>	<u>39,239,006</u>
Total assets less current liabilities		<u>1</u>	<u>50,352,305</u>
Creditors: amounts falling due after more than one year	21	-	(310,058)
Net assets		<u><u>1</u></u>	<u><u>50,042,247</u></u>

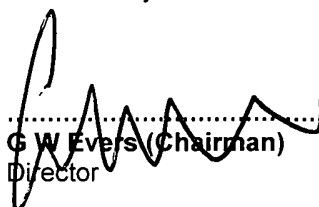
Shropshire Newspapers Limited
Registered number:00123264

Statement of Financial Position (continued)
As at 31 December 2016

		31 December 2016 £	2 January 2016 £
	Note		
Capital and reserves			
Called up share capital	23	1	101,000
Share premium account	24	-	19,916,225
Other reserves	24	-	17,999,397
Profit and loss account	24	-	12,025,625
		<u>1</u>	<u>50,042,247</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2017.


.....
P A Inman
Director


.....
G W Evers (Chairman)
Director

The notes on pages 10 to 29 form part of these financial statements.

Shropshire Newspapers Limited

Statement of Changes in Equity For the 52 week period ended 31 December 2016

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 3 January 2016	101,000	19,916,225	17,999,397	12,025,625	50,042,247
Loss for the 52 week period	-	-	-	(127,893)	(127,893)
Total comprehensive income for the period	-	-	-	(127,893)	(127,893)
Bonus share issue	29,897,129	-	(17,999,397)	(11,897,732)	-
Share capital reduction	(29,998,128)	(19,916,225)	-	49,914,353	-
Dividends	-	-	-	(49,914,353)	(49,914,353)
Total contributions by and distributions to owners, and transfers	(100,999)	(19,916,225)	(17,999,397)	(11,897,732)	(49,914,353)
At 31 December 2016	1	-	-	-	1

Statement of Changes in Equity For the 53 week period ended 2 January 2016

	Called up share capital	Share premium account	Other reserves	Profit and loss account	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 loss for the period	-	-	-	(3,729,539)	(3,729,539)
Transfer	-	-	(1,217,000)	1,217,000	-
Intercompany loan waiver	-	-	-	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

The notes on pages 10 to 29 form part of these financial statements.

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

1. General information

Shropshire Newspapers Limited is a private limited company incorporated in England and Wales, the address of which is shown on the company information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland; under the historical cost convention other than reflecting certain financial instruments at fair value, and in accordance with the Companies Act 2006.

The accounts have been prepared using the reduced disclosure exemptions permitted by FRS 102. The accounts therefore do not include:

- The requirements of Section 4 Statement of Financial Position paragraph 4.12 (a) (iv);
- The requirements of Section 7 Statement of cash flows;
- The requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- The requirements of Section 11 Financial 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)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- The requirements of Section 33 Related Party Disclosures paragraph 33.7.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Company's accounting policies. Further details are given in note 3.

The accounts have been prepared in the company's functional currency, pounds sterling.

On 1 July 2016 the trade and assets of Shropshire Newspapers Limited were hived up to its immediate parent, The Midland News Association Limited.

The following principal accounting policies have been applied consistently:

2.2 Going concern

As explained in the directors' report the entity has now ceased trading following the hive up into its immediate parent, Midland News Association Limited. Therefore the financial statements have not been prepared on a going concern basis. Nevertheless, there is no significant impact on the reported results or carrying value of assets and liabilities as at 31 December 2016.

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

2. Accounting policies (continued)

2.3 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.

2.4 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.

2.5 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.

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.

Depreciation is provided on the following basis:

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 in the Statement of Comprehensive Income.

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

2. Accounting policies (continued)

2.6 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.

2.7 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 Statement of Comprehensive Income.

2.8 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.

2.9 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, stocks are assessed for impairment. If stock 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.

2.10 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.

2.11 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.

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

2. Accounting policies (continued)

2.12 Related Party transactions

The company is 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.

2.13 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.

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.

As highlighted in note 25 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 2017. 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 2017.

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.

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

2. Accounting policies (continued)

2.13 Financial instruments (continued)

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.

2.14 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

2.15 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.

2.16 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 payment 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.

2.17 Interest income

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

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

2. Accounting policies (continued)

2.18 Current and deferred taxation

The tax expense for the 52 week period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge 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 tax 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 tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.19 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 (29 December 2013) to continue to be charged over the period to the first market rent review rather than the term of the lease.

3. 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. There are no judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

4. Revenue

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

5. Net operating expenses

	52 weeks ended 31 December 2016 £	53 weeks ended 2 January 2016 £
Raw materials and consumables	-	1,429,881
Staff costs (see note 7)	2,496,069	5,325,685
Depreciation of tangible assets	705,963	1,447,009
Amortisation of intangible assets	-	1,216,397
Other operating charges	-	5,279,166
Other operating income	-	(41,130)
Exceptional items	366,296	590,519
	<u>3,568,328</u>	<u>15,247,527</u>

Exceptional items in the current period relate to redundancy costs of £130,796 (2 January 2016 - £119,519) and contributions to the group's defined benefit scheme for past service pension costs of £235,500 (2 January 2016 - £471,000).

6. Operating loss

The operating loss is stated after charging/(crediting):

	52 weeks ended 31 December 2016 £	53 weeks ended 2 January 2016 £
Profit on the sale of fixed assets	(7,535)	(5,525)
Operating lease costs	251,345	534,516
- fees payable to the company's auditor for the auditing of the company's annual accounts	12,067	13,009
- taxation services	7,508	3,675
Defined contribution pension cost	152,119	359,919

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

7. Employees

Staff costs, including directors' remuneration, were as follows:

	52 weeks ended 31 December 2016 £	53 weeks ended 2 January 2016 £
Wages and salaries	2,126,372	4,553,731
Social security costs	217,578	428,297
Cost of defined contribution scheme	152,119	343,657
	<u>2,496,069</u>	<u>5,325,685</u>

As detailed in note 5 exceptional staff related costs of £366,296 (2 January 2016 - £590,519) have also been incurred.

The average monthly number of employees, including the directors, during the 52 week period was as follows:

	52 weeks ended 31 December 2016 No.	53 weeks ended 2 January 2016 No.
Sales and administration	87	111
Production and distribution	61	75
	<u>148</u>	<u>186</u>

8. Directors' remuneration

	52 weeks ended 31 December 2016 £	53 weeks ended 2 January 2016 £
Directors' emoluments	-	103,728
Company contributions to defined contribution pension schemes	-	13,290
	<u>-</u>	<u>117,018</u>

There are 0 (2 January 2016 – 1) directors to whom retirement benefits are accruing under the defined contribution scheme.

There are 0 (2 January 2016 – 1) directors to whom retirement benefits are accruing under the defined benefit scheme.

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

8. Directors' remuneration (continued)

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.

9. Interest receivable

	52 weeks ended 31 December 2016 £	53 weeks ended 2 January 2016 £
Loans to group companies	770,626	1,473,145

10. Interest payable and similar charges

	52 weeks ended 31 December 2016 £	53 weeks ended 2 January 2016 £
Other interest	-	1,039,232
Preference share dividends	-	9,973
	-	1,049,205

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

11. Taxation

	52 weeks ended 31 December 2016 £	53 weeks ended 2 January 2016 £
Corporation tax		
Adjustments in respect of prior period	-	2,523,576
Deferred tax		
Origination and reversal of timing differences	-	(161,626)
Changes to tax rates	-	(17,635)
Adjustment in respect of previous period	-	(32,135)
Total deferred tax	-	(211,396)
Taxation on loss on ordinary activities	-	2,312,180

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

11. 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% (2 January 2016 - 20%). The differences are explained below:

	52 weeks ended 31 December 2016 £	53 weeks ended 2 January 2016 £
Loss on ordinary activities before tax	(127,893)	(1,417,359)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2 January 2016 - 20%)	(25,579)	(283,738)
Effects of:		
Expenses not deductible for tax purposes	-	246,700
Capital allowances for 52 week period/53 week period in excess of depreciation	1,280	-
Effect of change in tax rate	13,377	323
Non-taxable income	-	(30,132)
Adjustments in respect of double taxation charge in prior periods	-	2,523,576
Group relief surrendered for nil payment	(39,495)	182,214
Worldwide debt cap exemption	(97,380)	(353,356)
Transfer pricing adjustments	27,407	58,728
Other adjustment in respect of prior periods	-	(32,135)
Deferred tax not recognised	120,390	-
Total tax charge for the period	-	2,312,180

12. Dividends

	31 December 2016 £	2 January 2016 £
Dividends	49,914,353	9,973

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

13. Intangible assets

	License Fees £
Cost	
At 3 January 2016	27,000,000
Disposals	(27,000,000)
	-
At 3 January 2016	27,000,000
On disposals	(27,000,000)
	-
Net book value	
At 31 December 2016	-
At 2 January 2016	-

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

14. Tangible fixed assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 3 January 2016	121,992	28,228,557	885,548	29,236,097
Additions	-	11,157	5,465	16,622
Transfers intra group	(121,992)	(28,167,154)	(891,013)	(29,180,159)
Disposals	-	(72,560)	-	(72,560)
At 31 December 2016	-	-	-	-
Depreciation				
At 3 January 2016	101,226	17,444,496	767,078	18,312,800
Charge for the period on owned assets	2,397	680,883	22,683	705,963
Transfers intra group	(103,623)	(18,052,819)	(789,761)	(18,946,203)
Disposals	-	(72,560)	-	(72,560)
At 31 December 2016	-	-	-	-
Net book value				
At 31 December 2016	-	-	-	-
At 2 January 2016	20,766	10,784,061	118,470	10,923,297

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

	31 December 2016 £	2 January 2016 £
Freehold	-	(3,461)
Short leasehold	-	24,227
	-	20,766

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

15. Investment property

	Freehold investment property £
At 3 January 2016	190,000
Transfers intra group	(190,000)
At 31 December 2016	-

The company's investment properties were valued in the prior year at fair value, determined by an independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. With the exception of properties that were sold in the prior period or at the start of the current financial period where market value was 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:

	31 December 2016 £	2 January 2016 £
Historic cost	-	31,429
Accumulated depreciation and impairments	-	(26,901)
	<u>-</u>	<u>4,528</u>

16. Investments

The company owned 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 owned 60,000 unlisted Ordinary shares of £1 each in PA Group Limited which are included in the balance sheet at £Nil cost.

These investments were transferred to The Midland News Association Limited as part of the hive up transaction.

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

17. Stocks

	31 December 2016 £	2 January 2016 £
Raw materials	-	41,240
Engineering stocks	-	140,201
Consumables and stocks	-	99,506
	<u>-</u>	<u>280,947</u>

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

18. Debtors

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

	31 December 2016 £	2 January 2016 £
Due within one year		
Trade debtors	-	557,999
Amounts owed by group undertakings	1	14,048,403
Other debtors	-	1,563
Prepayments and accrued income	-	58,405
Deferred taxation	-	2,909
	<u>1</u>	<u>14,669,279</u>

19. Cash and cash equivalents

	31 December 2016 £	2 January 2016 £
Cash at bank and in hand	-	516,494

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Notes to the Financial Statements For the 52 week period ended 31 December 2016

20. Creditors: Amounts falling due within one year

	31 December 2016 £	2 January 2016 £
Trade creditors	-	364,395
Amounts owed to group undertakings	-	7,290,304
Corporation tax	-	3,493,576
Taxation and social security	-	130,856
Other creditors	-	90,130
Accruals and deferred income	-	1,502,132
	<u>-</u>	<u>12,871,393</u>

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

	31 December 2016 £	2 January 2016 £
Other creditors	-	110,058
5% cumulative preference shares	-	200,000
	<u>-</u>	<u>310,058</u>

Maturity of debt:

	31 December 2016 £	2 January 2016 £
In more than five years	-	200,000

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Notes to the Financial Statements For the 52 week period ended 31 December 2016

22. Deferred taxation

	31 December 2016 £	2 January 2016 £
At beginning of year	2,909	(208,487)
Charged to profit or loss	-	211,396
Transfer intra-group	(2,909)	-
At end of year	-	2,909

The deferred tax asset is made up as follows:

	31 December 2016 £	2 January 2016 £
Accelerated capital allowances	-	2,909

23. Share capital

	31 December 2016 £	2 January 2016 £
Shares classified as equity		
Allotted, called up and fully paid		
1 (2016 - 101,000) ordinary share of £1	1	101,000
Shares classified as debt		
Allotted, called up and fully paid		
200,000 5% cumulative preference shares of £1 each	-	200,000

In the year the company passed a special resolution that the issued share capital of the company be reduced from £101,000 to £1 by cancelling and extinguishing 100,999 issued and fully paid ordinary shares of £1 each.

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

23. Share capital (continued)

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.

24. 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.

25. Contingent liabilities

During the period 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 31 December 2016, the group's net debt under the above facilities totalled £2.6m (2 January 2016 – £4.0m).

26. 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 52 week period amounted to £152,119 (2 January 2016 - £359,919).

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 31 December 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 31 December 2016, calculated by the actuary on an FRS102 basis, shows a deficit on the scheme of £24,820,000 (2 January 2016 - £21,900,000).

Shropshire Newspapers Limited

Notes to the Financial Statements For the 52 week period ended 31 December 2016

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.

27. Pension commitments (continued)

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.

28. Commitments under operating leases

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2016 £	2 January 2016 £
Not later than 1 year	-	26,156
Later than 1 year and not later than 5 years	-	1,001,053
Later than 5 years	-	334,354
Total	-	1,361,563

29. 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 its fellow companies; Nurton Holdings Limited, Precision Colour Printing Limited, Press Computer Systems Limited and Roughton Insurances Limited were £Nil (2 January 2016 – £Nil) and purchases from those companies were £117,100 (2 January 2016 - £285,000).

As at 31 December 2016, the company owed £Nil (2 January 2016 - £24,000) to Precision Colour Printing Limited and was also owed £Nil (2 January 2016 - £18,644,000) from Nurton Holdings Limited.

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Notes to the Financial Statements For the 52 week period ended 31 December 2016

30. 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.