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Highlights

Key events and financial highlights of 1997

PA profits increased from £119,000 to £2.6m

News agency losses reduced by £3m to £1.9m

Page production revenue almost doubled

New media revenue increased by over 50%

PA NewsCentre web site named Best Online News Service at British Press Awards

New contracts secured to provide complete content management services for non-media customers

PA WeatherCentre formed as a joint venture company with Meteo Consult to develop new weather services for media and non-media markets

Marketing services division of Two-Ten Communications moved to a new call centre and warehouse complex, following the rapid growth of response and fulfilment revenues

"PA"
The PRESS ASSOCIATION
Annual Report 1997





PA photographer John Stillwell was named Nikon Royal Photographer of the Year for a portfolio that included this picture of the Queen and the Duke of Edinburgh, joined by members of the Royal family, enjoying their Golden Wedding anniversary celebrations at Westminster Abbey.

Chairman's statement

*PA returns to
profitability, ahead of
budget expectations*



*"Group operating profit of £1.4m
represents a considerable improvement
over 1996 and reflects PA's progress in
consolidating its core news agency
business while expanding into new
markets"*

Overall in 1997 PA made a profit, including investment income, of £2.6m (1996 £119,000). The group operating profit was £1.4m (1996 loss £1.7m). This represents a considerable improvement over 1996 results and reflects PA's progress in consolidating its core news agency business while expanding into new markets. The news agency recouped a substantial proportion of the £5.4m revenues foregone as a result of the board's decision in 1996 to reduce news agency tariffs in order to maintain market share. This helped to reduce news service losses by £3m to £1.9m.

Group revenue including joint ventures totalled £48.4m (1996 £42.4m).

Growth in news agency sales accounted for most of this improvement. Investment in PA's page production business produced a strong performance while new media sales activities (as detailed in the Chief Executive's report) and syndication sales, particularly photo sales, also increased substantially.


PA News reached agreement to supply news and sports services to the daily newspapers owned by Northcliffe Newspapers Group Limited and Newsquest Media Group Limited, following their decision to close their jointly owned news agency, UK News, at the end

of June. I am delighted to welcome these and other UK News customers, many of which PA had worked with until the launch of UK News in 1992. These regional newspaper contracts had a positive impact on 1997 revenues, while the full year effect will show through in 1998.

PA's communications and distribution companies moved ahead, but pressure on profit margins in an increasingly competitive marketplace resulted in lower operating profits.

Among PA's associate companies (now detailed separately in accordance with new reporting requirements), Canada NewsWire achieved an outstanding performance, with profit growth of 70 per cent. Much of this increase resulted from growth in market share, and an increase in average job size resulting from the expanding Canadian economy. It is unlikely that this exceptional level of growth will be sustained. Nevertheless Canada NewsWire has established a very strong position in its marketplace.

PA's new media business is developing well, but further investment will be required to ensure that PA reaps the full benefit of its early success in this rapidly changing field. The board is determined to maintain its policy of ensuring that long term news service contracts fees do not rise faster than



Canada NewsWire's profit growth of 70% reflected the buoyancy of the Canadian economy.

Chairman's statement *cont.*

"The board is determined to ensure that long term news service contracts fees do not rise faster than inflation"

inflation (notwithstanding the reduction in tariffs mentioned earlier) whilst also ensuring that the quality and integrity of the news service remains at the highest level. In short, our aim is to provide a first class news service operating at breakeven or slightly better and to achieve increased operating profits from our other activities.

The growth of revenue depends very much on PA being able to extend the range of services it provides both in terms of traditional and new media activities. The growth of profit margins would depend on achieving the expansion of services revenue without relaxing our current tight control of costs.

In 1997 PA made good progress pursuing this policy but there is still a long way to go and for this reason the board has decided to continue the recent practice of passing the dividend in order to enable the maximum possible investment in expanding PA's range of services.

Board Membership

PA's major shareholders have demonstrated their confidence in the future of the company by increasing their holdings. The four largest media owners in the UK - Associated Newspapers, Mirror Group, News International and United News and Media - now account for 61 per cent of shares in PA.

In line with this trend, the composition of your board now reflects more fully the spread of shareholders' interests in the company.

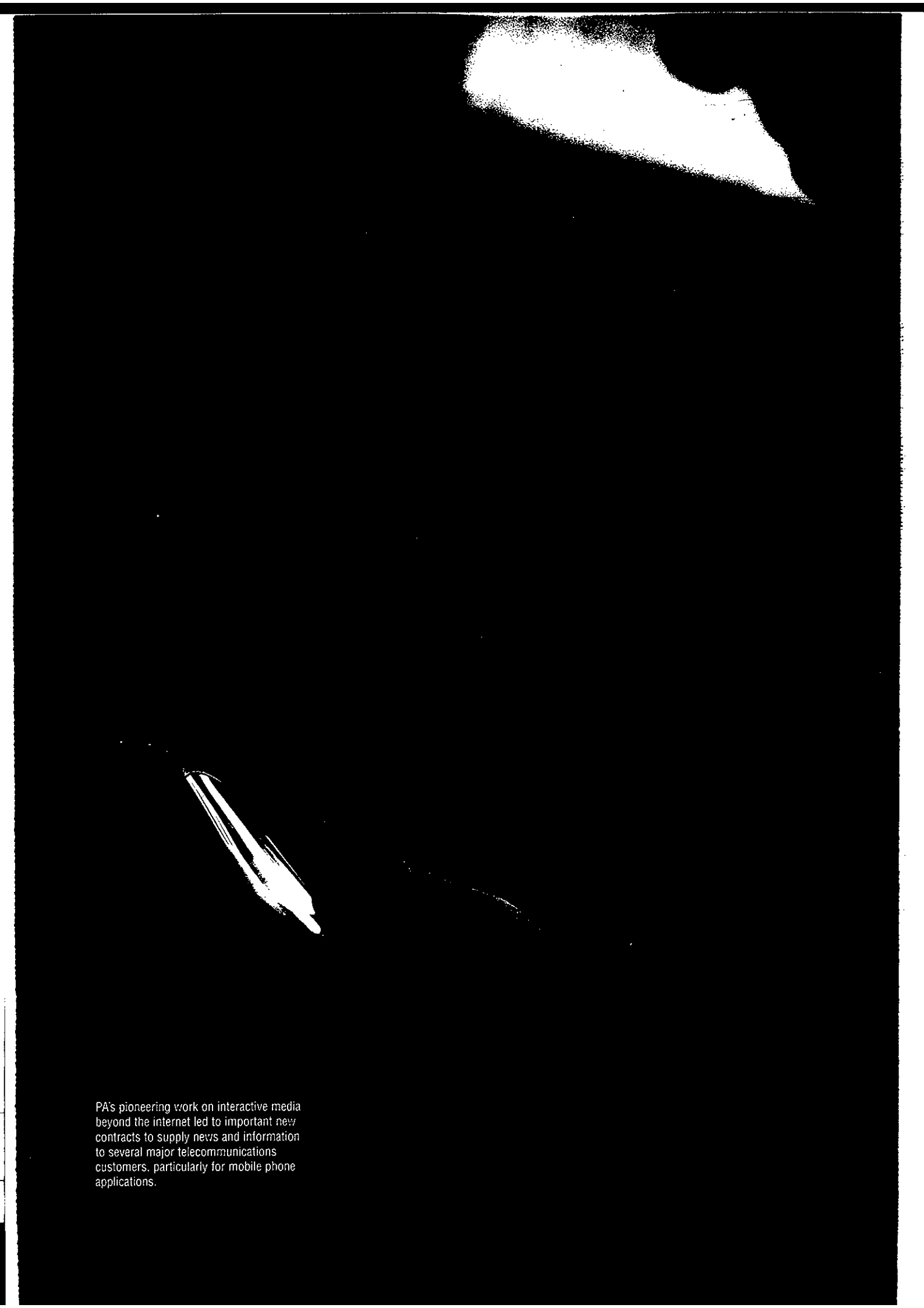
I am delighted to report that Sir David English, Chairman and Group Editor-in-Chief of Associated Newspapers, and Freddy Johnston, Chairman of Johnston Press, joined the board in the last quarter of 1997. Their appointments further strengthen the wealth of media experience brought to PA by its non-executive directors.

Kevin Gavaghan, Simon Olswang, David Potter and Michael Toulmin resigned from the board during 1997. I am grateful to all of them for their wise counsel and strategic insight during a period of considerable change for PA.

I would also like to thank my executive colleagues on the board and all of PA's staff for their unstinting efforts throughout the year. It is their hard work, ideas and talent that have enabled PA to return to profitability ahead of budget expectations, and to build on the foundations for continued success in established markets and expansion into new ones.



Harry Roche Chairman



PA's pioneering work on interactive media beyond the internet led to important new contracts to supply news and information to several major telecommunications customers, particularly for mobile phone applications.

Chief Executive's review

*Editorial strength drive
PA's development as
an integrated news,
information and
communications group*



"The supply of fully-produced pages to newspapers proved to be the most significant area of growth for PA's core news business"

We made excellent progress during 1997 in the development of PA as a customer-focussed group of news, information and communications businesses. We broadened the news agency's commercial base by winning new kinds of business from new types of customer, and by expanding our range of value-added products.

PA News

The supply of fully-produced pages to newspapers proved to be the most significant area of growth for PA's core news business, contributing a large part of the £3m reduction in news agency losses. Revenue almost doubled, boosted by rapid growth in sales of arts and entertainment, TV and finance information pages.

New Media

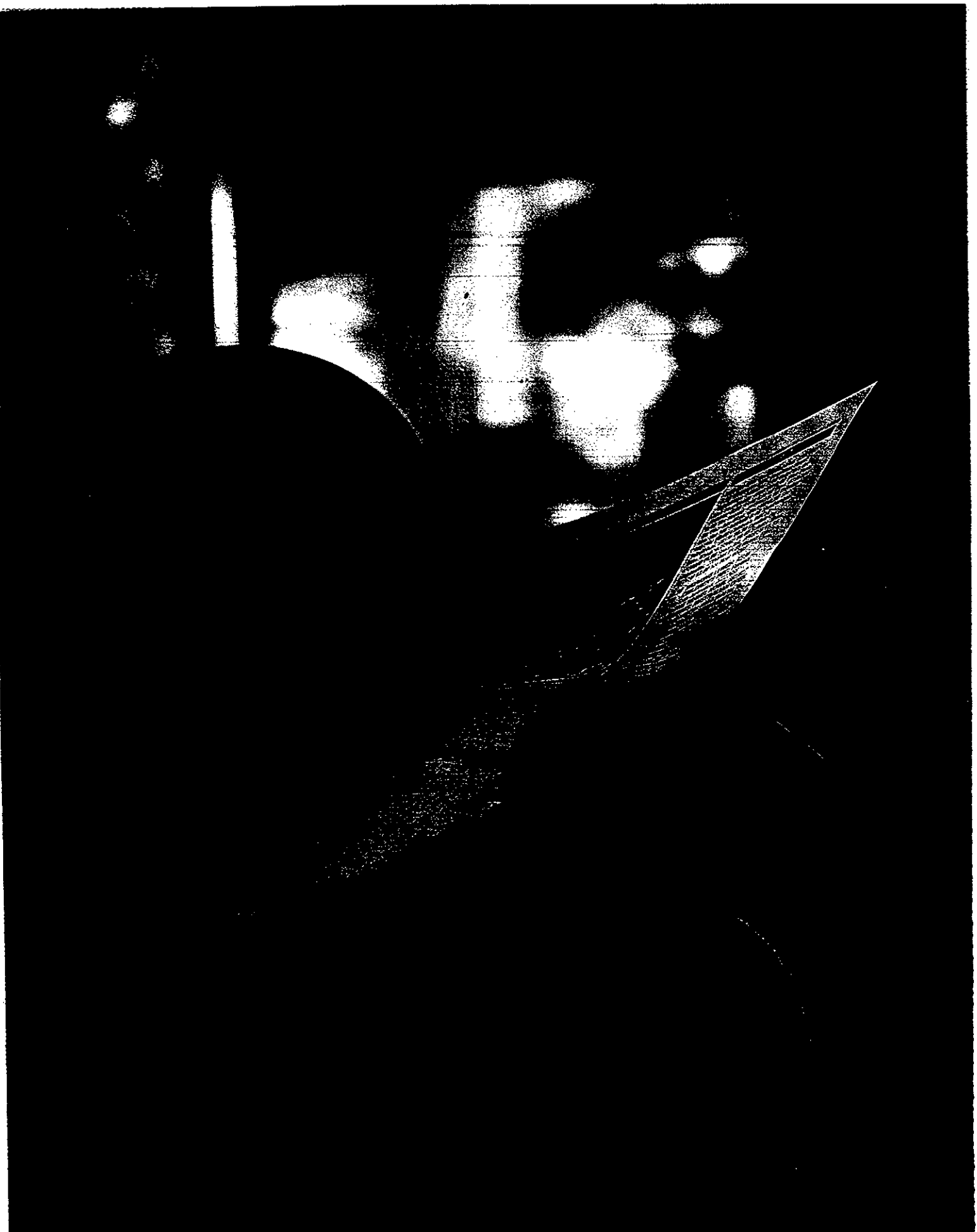
New media revenue increased by over 50%. The PA web site helped to build awareness among the new breed of internet publishers about PA's ability to gather, edit and manage news in a dynamic online environment. Yahoo!, Microsoft Network, Football 365, Littlewoods, Orange, Planet Online and UK Plus are just some of the customers which signed up for PA's flexible content services in the past year.

PA's pioneering work on interactive media beyond the internet led to an important new contract to supply

news, sports results, share prices and entertainment listings to Cellnet Genie, the web-based service which allows Cellnet customers to select and receive information via their mobile phones. A second contract has now been secured to source and manage audio content for Cellnet Genie Football Radio, a web broadcasting venture which will launch later this year.

Following its move to the PA NewsCentre, Leeds, at the end of 1996, PA New Media expanded quickly. Staff numbers increased to over 50 as additional editorial, production, design and software specialists were taken on to handle the influx of new contracts. The PA web site was redesigned, and by August had become the UK's third most popular ABC audited news web site. In March 1998, the site won the first award for Best Online News Service at the British Press Awards.

Since then the fourth generation PA web site has been launched. Although it will continue to be used as a test bed for new ideas, the site's primary role now is to carry a wide range of breaking news and information. To this we have added a rich package of links which direct users to other sites where in-depth coverage of a particular subject area is available. Our objective is to drive traffic towards the sites of our customers



TV listings guides are part of PA's
successful range of fully-produced pages,
sales of which nearly doubled in 1997.

Chief Executive's review *cont.*

and strategic partners, while positioning the PA web site as a central hub for UK news and information.

All of these developments stem from PA's strength as a provider of editorial content. The news agency's reputation for speed, accuracy and impartiality was further enhanced by its coverage of the dramatic news events of the year. Several General Election web sites served by PA News won awards, and Defence Correspondent Charles Miller was honoured with The London Press Club "Scoop of the Year" award for being first to report the death of Diana, Princess of Wales.

The value of our editorial services to PA customers has never been higher. In response to rising demand from customers, we increased regional news coverage, and laid plans to cover Scotland's first Parliament for 300 years. More regional sports reporters were appointed, giving us greater control over the range and quality of our sports coverage.



The news agency secured contracts to supply extra regional services to a number of existing customers. It also attracted new business from Channel One: a dedicated bureau was set up within PA NewsCentre, London, to produce ready-for-broadcast local news text services for the cable TV station's six London franchise areas.

PA also won several important new contracts from non-media customers, to source, produce and deliver complete news and information services. In April it was awarded the Foreign and Commonwealth Office contract to supply the London Press Service previously run by the Central Office of Information.

Following the success of BT Touchpoint's interactive kiosk trials, for which PA already provides a wide range of news and information, we won additional contracts to provide complete content management services for both BT Touchpoint and Connect to Business, BT's new internet service for small and medium size businesses.

The central position that PA occupies in the UK media industry was further reinforced this spring with the launch of a new copytaking service for newspapers. PA CopyDirect, based at Two-Ten's dedicated call centre and warehouse complex in Wetherby,

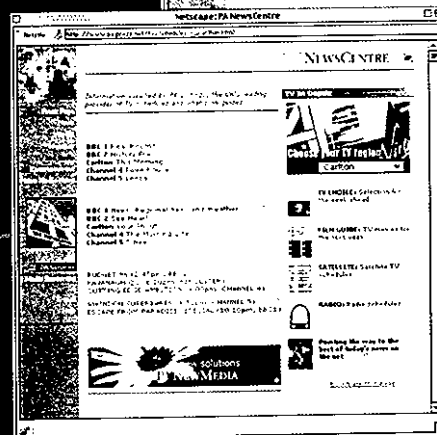
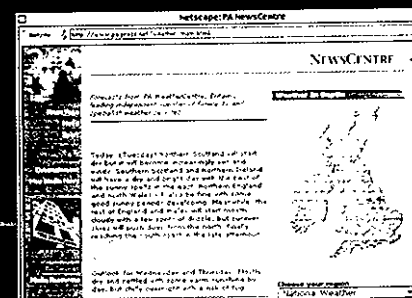
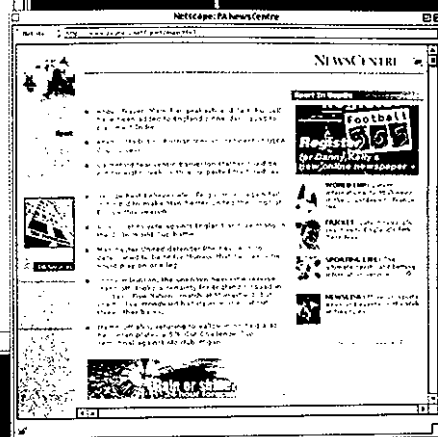
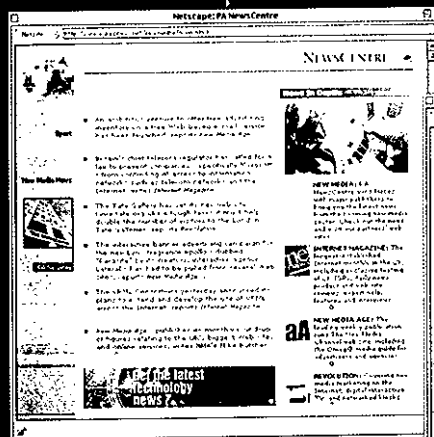
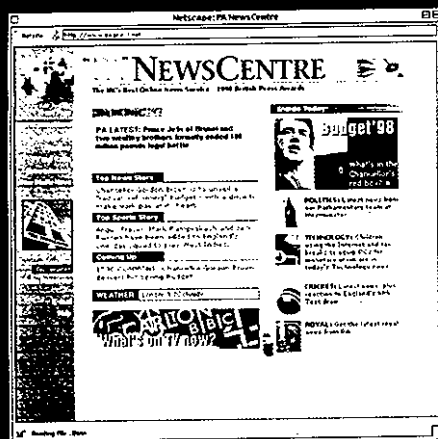
Yorkshire, will initially provide a central copytaking service, with the attendant economies of scale, for a number of national newspaper groups. More customers are poised to join PA CopyDirect later this year.

Syndicated services achieved very rapid revenue growth, contributing significantly towards the news agency's improved financial performance. Most of this improvement came from increased photo sales to new customers in a wide variety of media and commercial markets. The launch of PixElect captured new corporate customers by providing a separate distribution channel for commercial images such as product and location shots and logos, which generally are not carried on the PA News picture wire.

Sporting Life, the joint venture web site launched in 1996 by PA and Mirror Group, has now established itself as one of the major European sports sites. A system for processing betting transactions from the site is being developed, and this is expected to attract new revenue streams from bookmakers.

PA WeatherCentre

PA WeatherCentre, the new joint venture company formed with Meteo Consult, was launched in April 1997. Its product range now includes fully-produced editorial pages for national and regional



The PA NewsCentre web site, www.pa.press.net, was named Best Online Service at the British Press Awards on the eve of a redesign (above) which positions the site as a central hub for UK news and information.

Chief Executive's review *cont.*

"Growth in the communications and distribution division was lifted by an excellent performance from Canada NewsWire"

newspapers, rip-and-read forecasts for radio, online data services and industry-specific services such as winter road maintenance forecasts.

Growth in the communications and distribution division was lifted by an excellent performance from Canada NewsWire. A 70% increase in profits reflected the full year impact of new contracts gained in 1996, the buoyancy of the Canadian economy and increased productivity from every part of the company.

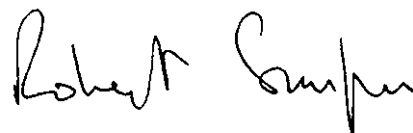
Two-Ten Communications finished the year with profits slightly down on 1996, a good result in the light of lower levels of traffic from the United States and a reduction in printing revenue. Lower revenues from public relations support services were largely offset by the rapid growth of Two-Ten's marketing services division, particularly from response and fulfilment activities. To accommodate this growth, the division moved this February to new premises with extended call centre and warehousing facilities.



Growth slowed at Tellex Monitors following its record revenues in 1996. This was caused by the extended media coverage of the General Election and the death of the Princess of Wales, which prevented many customers' stories reaching the airwaves. However,

Tellex Commercial, which monitors broadcast advertising, showed considerable growth.

Our success during 1997 in positioning PA as an integrated news, information and communications group, providing higher value services to a broader customer base, is very encouraging. We have a good management team in place, as well as a skilled and energetic staff. This should ensure that the business continues to develop positively in 1998.



Robert Simpson *Chief Executive*



Investment in digital camera technology helped PA to achieve its fastest ever General Election photo service, delivering pictures to newspapers directly from the campaign "battle bus" between engagements.

Above: Prime Minister Tony Blair greets well-wishers before taking up residence at Number 10 Downing Street following Labour's landslide victory in the General Election. Photographer: Rebecca Naden, PA.

The board of directors



Harry Roche (Age 64)*†
Chairman. Joined board in 1988.
Chairman, The Press Standards
Board of Finance Ltd.



Robert Brian Simpson (Age 53)
Chief Executive. Appointed to the
board in 1989. Joined PA in 1979.



Steven Brown (Age 44)
Finance Director.
Joined PA in 1995. Appointed
to the board in 1996.



Sir David English (Age 66)*
Joined board in 1997. Chairman
and Group Editor-in-Chief,
Associated Newspapers Holdings Ltd.



Charles Philip Graf (Age 51)*
Joined board in 1995.
Chief Executive, Trinity
International Holdings plc.



Eric Alan Graham (Age 55)*†
Joined board in 1994.
Director, Midland News
Association Ltd.



Les Hinton (Age 54)*†
Joined board in 1996. Executive
Chairman and Chief Executive
Officer, News International plc.



Frederick Johnston, CBE (Age 62)*
Joined board in 1997. Chairman,
Johnston Press plc.



David Montgomery (Age 49)*
Joined board in 1996.
Chief Executive, Mirror Group plc.



Paul John Potts (Age 48)
Editor-in-Chief.
Joined PA and appointed to the
board in 1995.

* Non-Executive Board Member
† Remuneration Committee



Increased photo sales to new customers in a wide variety of media and commercial markets contributed significantly towards the news agency's financial performance.

Report of the directors

The directors present their annual report together with the financial statements for the year ended 31 December 1997.

In the period under review there has been no significant change in the activities of the group which continue to be principally those of providing news and information to the media and other customers. A review of the business is contained in the Chief Executive's report.

Directors

The following were directors of The Press Association during the year 1997.

Mr HJ Roche

Mr SJ Brown

Sir David English (appointed 18.09.97)

Mr KJ Gavaghan (resigned 05.09.97)

Mr S Grabiner (appointed 11.12.97
resigned 02.04.98)

Mr CP Graf

Mr EA Graham

Mr LF Hinton

Mr FPM Johnston CBE (appointed 20.11.97)

Mr DJ Montgomery

Mr SM Olswang (resigned 01.09.97)

Dr DE Potter (resigned 16.05.97)

Mr PJ Potts

Mr RB Simpson

Mr GM Toulmin (resigned 20.11.97)

In accordance with the Articles, resolutions ratifying the appointments of Sir David English and Mr Johnston will be presented at the Annual General Meeting. Mr Graf reaches the end of his term of office as director following the Annual General Meeting and, being eligible, offers himself for re-election for a further term.



According to the register kept by the company under Section 325 of the Companies Act 1985, none of the directors was interested in shares in, or debentures of, the company or its subsidiaries at any time during the financial year.

Charitable donations

Charitable donations made by the company in 1997 totalled £1,738. No contribution was made for political purposes.

The directors believe the market value of the company's freehold properties is not materially different from the balance sheet value.

Under the group's general policy of decentralised management, it is the responsibility of the management in each subsidiary to encourage the involvement and participation of employees in their companies. It continues to be group policy to provide equal opportunities for employment, training and career development for all employees. The policy for the employment of the disabled is that full and fair consideration should be given to their aptitudes and abilities. Copies of the Annual Report are available to all employees. Staff are also involved, through their elected representatives, in the conduct of the company's pension fund.

Financial review

The operating results for the year are dealt with in the Chairman's and Chief Executive's reports and the purpose of this review is to provide additional information on key aspects of the group's financial position.

Accounting

The accounts are prepared in substantially the same format as previous years. However, the group investments in entities where PA owns 25-50% of the share capital are now classified as joint ventures as opposed to associated undertakings. The revised presentation, under the provision of the new accounting standard, FRS 9, results in additional information being shown on the face of the profit and loss account and balance sheets. Further information is also provided in respect of the main joint venture, Canada NewsWire.

Profit

The results for the year show a substantial improvement. The underlying trading result turned from a loss of £2.1 million in 1996 to a profit of £1.4 million in 1997. The tax deposit interest and the interest payable in 1996 both related to the payment of the special dividend at the end of 1995 following settlement of the tax liabilities arising on the sale of the Reuters shares in 1989.

	1997	1996
	£000	£000
Profit / (loss) on normal trading activities	1,439	(2,092)
Investment income	1,174	1,438
Interest received on tax deposit certificate	-	928
Interest payable	(8)	(155)
Profit before tax	2,605	119

Taxation

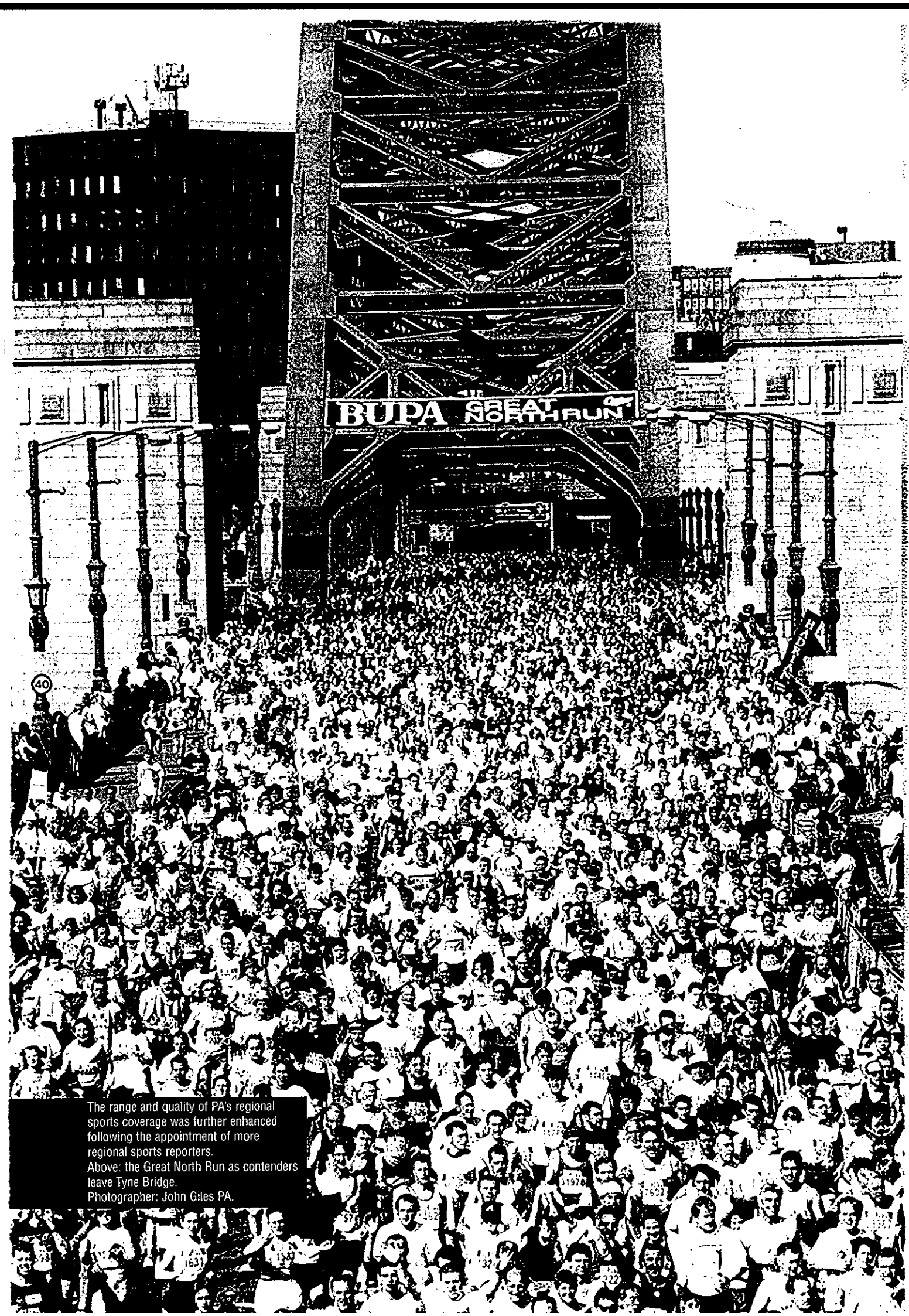
The current year charge includes the group share of tax charged in associate companies and local tax suffered on Canada NewsWire dividends. In assessing the group's liability to UK taxation, advantage has been made of consortium relief available to the company on start up losses in the joint ventures.

Balance sheet and cash flow statement

Following the board's decision to realise the company's investment portfolio and hold surplus funds in cash and short term cash instruments, there has been a substantial switch between fixed and current assets. This is reflected in both the group and company balance sheets. Total group cash resources increased during the year by £0.6 million of which £0.4 million resulted from taking the unrealised gains in the investment portfolio at the end of 1996.

Treasury policy

Funds that are surplus to immediate requirements are placed on short term deposit with the company bankers. The length of those deposits is determined by the rates available in the market and the forecast of the group's cash requirements in the short and medium term.



The range and quality of PA's regional sports coverage was further enhanced following the appointment of more regional sports reporters.
Above: the Great North Run as contenders leave Tyne Bridge.
Photographer: John Giles PA.

The nature of the share ownership of The Press Association means that there are commercial relationships between the company and its shareholders. Some members of the board are also directors of shareholder companies. The board has established rules to deal with conflicts of interest when they arise, and in such situations the director withdraws from the meeting while the particular matter is discussed. In the board's opinion, there are no contracts with customers in which the directors have a personal interest, that require disclosure in the financial statements.

The directors have continued to adopt the going concern basis for the preparation of the financial statements because, using their best judgment and in the light of their knowledge of the business, they are confident that the group has adequate resources for its continued operational requirements.



In accordance with Section 385 of the Companies Act 1985 a resolution to reappoint Robson Rhodes as auditors at a remuneration to be agreed by the directors will be submitted to the Annual General Meeting.

Financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors have:

- *selected suitable accounting policies and applied them consistently;*
- *made judgments and estimates that are reasonable and prudent;*
- *followed applicable accounting standards; and*
- *prepared the financial statements on a going concern basis.*

The directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

*Approved by the board
on 2 April 1998*

Steven Brown *Secretary*

Group profit and loss account

for the year ended 31 December

	Notes	1997 £000	1996 £000
Turnover: group and share of joint ventures.		48,383	42,421
Less: share of joint ventures' turnover		(5,750)	(4,635)
Group turnover from continuing operations	1	42,633	37,786
Cost of sales	2	(26,460)	(25,631)
Gross profit		16,173	12,155
Net operating expenses	2	(16,178)	(14,813)
Operating loss from continuing operations	1	(5)	(2,658)
Share of operating profit in joint ventures	4	1,444	966
		1,439	(1,692)
Fundamental reorganisation costs in continuing operations		-	(400)
Income from fixed asset investments	5	803	1,264
Interest receivable and similar income	6	371	1,102
Interest payable		(8)	(155)
Profit on ordinary activities before taxation		2,605	119
Tax on profit on ordinary activities	7	(1,242)	84
Retained profit for the financial year	19	1,363	203

Statement of total group recognised gains and losses

for the year ended 31 December

	Notes	1997 £000	1996 £000
Profit for the financial year		1,363	203
Currency translation difference on investment in joint venture	9	(1)	(76)
Total recognised gains and losses relating to the year		1,362	127

Auditors' report to the shareholders of The Press Association Ltd

We have audited the financial statements on pages 22 to 35 which have been prepared on the basis of the accounting policies set out on page 26.

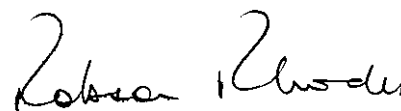
As described on page 19, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from

material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1997, and of the group's profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Robson Rhodes
*Chartered Accountants and
Registered Auditors*

*London
2 April 1998*

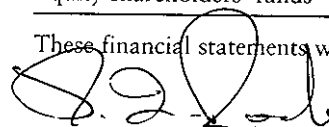


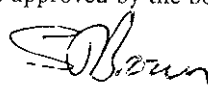
Company balance sheet

as at 31 December

	Notes	1997 £000	1996 £000
Fixed assets			
Tangible assets	8	15,324	15,550
Listed investments	10	-	4,240
Investment in subsidiary undertakings	11	12,342	12,342
		<u>27,666</u>	<u>32,132</u>
Current assets			
Debtors	12	16,520	15,024
Short term deposits		7,584	2,978
Cash		543	84
		<u>24,647</u>	<u>18,086</u>
Creditors			
Amounts falling due within one year	13	(2,203)	(1,289)
Net current assets		<u>22,444</u>	<u>16,797</u>
Total assets less current liabilities		50,110	48,929
Creditors			
Amounts falling due after more than one year	14	(400)	(750)
Provisions for liabilities and charges			
Other provisions	16	(387)	(177)
Net assets		<u>49,323</u>	<u>48,002</u>
Capital and reserves			
Called up share capital	17	7,965	7,965
Development reserve	18	7,968	8,846
Profit and loss account	19	33,390	31,191
Equity shareholders' funds	20	<u>49,323</u>	<u>48,002</u>

These financial statements were approved by the board on 2 April 1998


 Harry Roche, Director


 Steven Brown, Director

Group balance sheet

as at 31 December

	Notes	1997 £000	1997 £000	1996 £000	1996 £000
Fixed assets					
Tangible assets	8		23,357		23,707
Investments in joint ventures	9				
Share of gross assets		2,211		1,537	
Share of gross liabilities		(1,724)		(981)	
		487		556	
Loans		410		150	
			897		706
Listed investments	10		-		4,240
			24,254		28,653
Current assets					
Stocks		147		147	
Debtors	12	7,343		6,898	
Short term deposits		7,583		2,978	
Cash		405		202	
		15,478		10,225	
Creditors					
Amounts falling due within one year	13	(7,729)		(7,061)	
Net current assets			7,749		3,164
Total assets less current liabilities			32,003		31,817
Creditors					
Amounts falling due after more than one year	14		(400)		(800)
Provisions for liabilities and charges					
Other provisions	16		(592)		(490)
Net assets			31,011		30,527
Capital and reserves					
Called up share capital	17		7,965		7,965
Development reserve	18		7,968		8,846
Profit and loss account	19		15,078		13,716
Equity shareholders' funds	20		31,011		30,527

These financial statements were approved by the board on 2 April 1998


Harry Roche, Director


Steven Brown, Director

Group cash flow statement

for the year ended 31 December

	Notes	1997 £000	1996 £000
Net cash inflow / (outflow) from operating activities	22	2,851	(1,202)
Dividends from joint ventures		732	408
Return on investment and servicing of finance	23	589	2,132
Taxation paid		(11)	(2,127)
		4,161	(789)
Capital expenditure and financial investment			
Payments for tangible fixed assets		(2,743)	(1,505)
Payments for listed investments		(1,424)	(2,940)
Receipts from sale of tangible fixed assets		39	76
Receipts from sale of listed investments		6,278	5,830
		2,150	1,461
Acquisitions and disposals			
Purchase of subsidiary undertakings		(364)	(945)
Purchase of goodwill		(795)	-
Payments in respect of joint ventures		(344)	(260)
		(1,503)	(1,205)
Financing			
Repayment of long term bank loans		-	(43)
Redemption of loan stock		-	(258)
Short term borrowing		-	6,000
Repayment of short term borrowing		-	(6,000)
		-	(301)
Management of liquid resources			
Movement in short term deposits with banks		(4,605)	(1,388)
Increase / (decrease) in cash		203	(2,222)
Reconciliation of net cash flow to movement in net funds			
Increase / (decrease) in cash		203	(2,222)
Increase in short term deposits		4,605	1,388
Increase / (decrease) in net funds		4,808	(834)
Net funds at 1 January		3,180	4,014
Net funds at 31 December	24	7,988	3,180

Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. Two new accounting standards are adopted for the first time in these financial statements: FRS 1, Cash Flow Statements (Revised 1996) and FRS 9, Associates and Joint Ventures. In each case comparative figures have been restated. Prior to adopting FRS 9, the joint ventures were treated as associates.

Basis of consolidation

The group accounts are a consolidation of the audited financial statements of the company and its subsidiaries, the principal ones of which are listed in note 11. Goodwill, representing the excess of cost over the fair value of assets acquired, is written off against reserves in the year of acquisition. No profit and loss account is presented for The Press Association Limited as provided by S230 of the Companies Act 1985.

Turnover comprises sales of news and other information, new media services, and communication and distribution services.

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. The charge takes into account relief that will

accrue on the ultimate payment of the provisions for building repairs. Provision is made under the liability method for deferred taxation only to the extent that it is probable that the tax will become payable in the foreseeable future.

Depreciation

Depreciation of fixed assets is provided, from the date assets are acquired, on a straight line basis calculated to write off each asset over the term of its useful life, at the following rates:

Freehold premises	2%
Building plant and equipment	5% - 10%
Computer equipment	20% - 33 $\frac{1}{3}$ %
Other equipment and motor vehicles	20% - 25%

Stocks comprise stationery and other consumables and are valued at cost less a deduction in respect of specific obsolete items.

Joint ventures

Joint ventures comprise investments in undertakings where the group holds an interest on a long-term basis and jointly controls the commercial and financial policy of the venture with one or more other venturers under a contractual arrangement. The group share of the result of its investment in a joint venture is included in the consolidated profit and loss account. In the consolidated balance sheet the investment in the joint venture is included at the group share of the net assets of the

venture at the year end. The excess of the cost of the investment over the group's share of the net assets attributed to the holding is written off as goodwill.

Assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange at 31 December. Exchange differences arising from the restatement of the net investment in overseas joint ventures are taken directly to reserves. The trading results of overseas joint ventures are translated into sterling using the average exchange rate for the period and the difference in relation to closing rates is taken directly to reserves. All other currency differences are dealt with in the profit and loss account.

The group operates a defined benefits scheme for the benefit of the majority of its employees, under which contributions are paid by group companies and employees to provide pension and other benefits expressed in terms of percentage of basic salary. The contribution payments made by the group are charged against profits on a basis that seeks to spread the cost over the average of the estimated working lives of all its contributing employees.

Rentals

Rentals payable under operating leases are charged to the profit and loss account as incurred.

Notes to the financial statements

	1997 £000	1996 £000
3 Directors' and staff costs		
Group emoluments of the company's directors		
Aggregate emoluments	537	507

Amounts in respect of the highest paid director

Emoluments	164	153
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At the year end the highest paid director had an accrued pension entitlement of £86,900. Retirement benefits are accruing to three directors under defined benefit schemes.

During the year, £70,000 was paid to a past director as compensation for loss of office. The company is committed to further payments in 1998 totalling £35,000.

	1997 £000	1996 £000
Staff costs, including directors		
Wages and salaries	20,292	18,828
Social security costs	1,716	1,612
Pension costs	1,215	1,006
	23,223	21,446

	Number	Number
Average number of directors and staff employed by the group during the year		
News	666	629
Communications and distribution	354	333
	1,020	962

Formal actuarial valuations of the pension scheme are carried out triennially by Lane Clark & Peacock, consulting actuaries, using the projected unit method. The most recent investigation was carried out as at 31 December 1996. The principal assumptions adopted in the valuation, which have altered from those used three years earlier to reflect changed economic circumstances, were that, over the long term:

- the annual rate of return on investments would be 8.25% pa;
- the growth in pensionable pay would be 6.5% pa;
- inflation would be 4% pa;
- increases in pensions would be 4% pa;
- expenses of management would be 1% of pensionable pay;
- assets would be notionally re-invested wholly in UK equities; and
- increases in dividends, taken net to reflect the removal of ACT credits, would be 4.75% pa.

The market value of the fund's assets at 31 December 1996 was £69.5 million, and the actuarial value of those assets represented 117.8% of the value of the benefits accrued to members allowing for expected future increases in earnings and pensions.

The regular pension cost that the 1996 investigation revealed as being needed from the group companies and members is 19.15% of the pensionable pay of members. Members contribute at a rate of 6%. The pension costs shown above, equivalent to 9% of such pay, are net of the group's share of the surplus amortised on the percentage-of-payroll spreading method. The contributions paid by the company to the fund have always equalled pension costs, so there is no prepayment or provision in regard to pensions to be included in the balance sheet.

The group has no material liability for post-retirement benefits other than pensions.

Notes to the financial statements

	1997 £000	1996 £000
1 Analysis of group turnover and operating profit before taxation		
Turnover		
News	28,152	24,203
Communications and distribution	14,481	13,583
	<u>42,633</u>	<u>37,786</u>
Operating profit		
News	(1,896)	(4,869)
Communications and distribution	1,139	1,476
Rental income	752	735
	<u>(5)</u>	<u>(2,658)</u>
2 Analysis of group operating costs		
Cost of sales in continuing operations	26,460	25,631
Net operating expenses in continuing operations		
Distribution costs	223	307
Administrative and selling expenses	16,074	14,506
Other operating income	(119)	-
	<u>16,178</u>	<u>14,813</u>
Administrative expenses include:		
The group audit fee	54	58
Payment to the auditors for non-audit services	59	127
Operating lease rentals		
- land and buildings	440	458
- motor vehicles and other equipment	335	309
Depreciation of tangible fixed assets	3,071	3,045
Profit / (loss) on sale of tangible fixed assets	17	(76)

	1997 £000	1996 £000
4		
Income from interest in joint ventures		
Share of profit before taxation in joint ventures	1,444	966
Canada NewsWire results included above		
Turnover	5,000	4,144
Profit before tax	1,714	1,029
Taxation	(764)	(467)
Profit after tax	950	562
5		
Income from fixed asset investments		
Listed investments	189	262
Profit on disposal of fixed asset investments	614	1,002
	803	1,264
6		
Interest receivable		
Interest on deposits	371	174
Interest on certificate of tax deposit	-	928
	371	1,102
7		
Tax on profits on ordinary activities		
Corporation tax		
Current year at 31% (1996 33%)	312	55
Overseas tax	69	41
Tax credits on franked investment income	15	18
	396	114
Deferred taxation	-	(378)
Prior year adjustment	66	(287)
Share of joint ventures' taxation	780	467
	1,242	(84)
The taxation charge has been reduced by tax relief on:		
Reorganisation costs	91	-
Building repair and insurance payments	5	-

Notes to the financial statements

8 Tangible assets

GROUP

Cost

	Freehold Property £000	Long Leasehold Property £000	Computer Equipment £000	Other Equipment and Motor Vehicles £000	Total £000
At 1 January 1997	16,080	349	9,575	9,265	35,269
Additions during the year	-	-	1,228	1,515	2,743
Disposals during the year	-	-	(406)	(129)	(535)
At 31 December 1997	16,080	349	10,397	10,651	37,477

Depreciation

At 1 January 1997	564	82	6,094	4,822	11,562
Provided during the year	217	4	1,415	1,435	3,071
Adjustments for disposals	-	-	(397)	(116)	(513)
At 31 December 1997	781	86	7,112	6,141	14,120

Net book value

At 31 December 1997	15,299	263	3,285	4,510	23,357
At 31 December 1996	15,516	267	3,481	4,443	23,707

COMPANY

Cost

At 1 January 1997 and 31 December 1997	16,080	-	-	85	16,165
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Depreciation

At 1 January 1997	564	-	-	51	615
Provided during the year	217	-	-	9	226
At 31 December 1997	781	-	-	60	841

Net book value

At 31 December 1997	15,299	-	-	25	15,324
At 31 December 1996	15,516	-	-	34	15,550

Notes to the financial statements

	1997 £000	1996 £000
11 Investment in subsidiary undertakings		
Cost		
At 1 January	12,342	10,320
Additions during the year	-	2,022
At 31 December	12,342	12,342

The principal trading subsidiary undertakings are as follows

Company	Activity	Parent and Group Interest in Ordinary Shares and Voting Rights
PA News Ltd	News	100%
PA Listings Ltd	News	100%
Two-Ten Communications Ltd	Communications and distribution	100%
Tellex Monitors Ltd	Communications and distribution	100%

	Group		Company	
	1997 £000	1996 £000	1997 £000	1996 £000
12 Debtors				
Trade debtors	5,577	5,207	-	-
Amount owed by subsidiary undertakings	-	-	16,475	14,681
Amount owed by joint ventures	454	60	-	-
Corporation tax	-	152	-	152
Other debtors	228	407	44	139
Prepayments and accrued income	1,084	1,072	1	52
	7,343	6,898	16,520	15,024
13 Creditors: amounts falling due within one year				
Trade creditors	1,604	1,733	8	15
Amount owed to subsidiary undertakings	-	-	1,098	545
Amount owed to joint ventures	124	29	-	-
Corporation tax	284	-	263	-
Other taxes and social security	1,746	1,446	103	83
Other creditors	478	733	284	40
Accruals and deferred income	3,081	2,770	350	306
Deferred consideration on acquisition of subsidiary	412	350	97	300
	7,729	7,061	2,203	1,289
14 Creditors: amounts falling due after more than one year				
Deferred consideration	400	800	400	750

The amount of £400,000 in respect of deferred cash consideration on acquisition of a subsidiary undertaking is due for payment in 1999.

	1997 £000
9 Investment in joint ventures	
Share of net assets	
As at 1 January	556
Loss on exchange	(1)
Share of retained profit (after dividends paid of £732,000)	(68)
At 31 December	487
Loans	
As at 1 January	150
Movement in the year	260
As at 31 December	410
Total investment in joint ventures	897

The joint ventures are as follows

Company	Activity	Parent and Group Interest in Ordinary Shares and Voting Rights
Canada NewsWire Ltd (incorporated in Canada)	Communications and distribution	50%
PA Sporting Life Ltd	On-line sports information	50%
Racing Pages Ltd	Horse racing data and information	44%
PA WeatherCentre Ltd	Meteorological data and information	50%

During the year group companies provided services to the joint ventures amounting to £693,000 (1996 £271,000), and incurred cost of sales of £374,000 (1996 £11,000). Amounts due from, and to, joint ventures at the year-end are included in debtors and creditors (see notes 12 and 13).

	1997 £000	1996 £000
Analysis of group share of net assets in Canada NewsWire		
Tangible fixed assets	311	252
Current assets	1,461	974
Liabilities due within less than one year	(906)	(616)
	866	610

10 Listed investments		
Cost		
At 1 January	4,240	6,127
Additions during the year	1,424	2,940
Disposals during the year	(5,664)	(4,827)
At 31 December	-	4,240
Market value		
At 31 December	-	4,678

Notes to the financial statements

	Group £000	Company £000
19 Profit and loss account		
At 1 January 1997	13,716	31,191
Currency translation	(1)	-
Transfer from development reserve	878	878
Goodwill written off on acquisition (Note 25)	(878)	-
Retained profit for the year	1,363	1,321
At 31 December 1997	15,078	33,390

Included in the group profit and loss account is £324,000 (1996 £392,000) in respect of retained earnings of the joint ventures. Cumulative goodwill written off against group reserves is £20,560,000 (1996 £19,682,000).

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
20 Reconciliation of movements in equity shareholders' funds				
Profit for the financial year	1,363	203	1,321	4,665
Goodwill written off on acquisition (Note 25)	(878)	(2,139)	-	-
Currency translation difference on investment in joint venture	(1)	(76)	-	-
Net addition to equity shareholders' funds	484	(2,012)	1,321	4,665
Opening equity shareholders' funds	30,527	32,539	48,002	43,337
Closing equity shareholders' funds	31,011	30,527	49,323	48,002

21 Financial commitments	1997 £000	1996 £000
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Future capital commitments contracted for at the year-end	285	-
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Operating lease commitments

The group is committed to make the following payments next year under operating leases

Land and buildings, leases expiring

Within one year	43	82
One to five years	70	151
Beyond five years	235	247
	348	480

Motor vehicles and equipment, leases expiring

Within one year	262	181
One to five years	42	233
	304	414

	Group £000	Company £000
15 Deferred taxation		
At 1 January 1997 and 31 December 1997	-	-

The amount shown above represents the full provision for deferred taxation except for £395,000 (1996 £420,000) in respect of taxation arising on the disposal of a group property deferred indefinitely due to the acquisition of a replacement property.

	Long-term Incentive Plan £000	Building Repairs and Insurance £000	Reorganisation £000	Total £000
16 Other provisions				
GROUP				
At 1 January 1997	-	183	307	490
Transfer from profit and loss account	275	38	-	313
Utilised in the year	-	(16)	(195)	(211)
At 31 December 1997	275	205	112	592
COMPANY				
At 1 January 1997	-	-	177	177
Transfer from profit and loss account	275	-	-	275
Utilised in the year	-	-	(65)	(65)
At 31 December 1997	275	-	112	387

During the year a long-term incentive plan was introduced for senior executives of the group. The first payments will be made in 2001 based on the profitability of the company at that time. A provision has been made based on the estimated level of payments that will accrue over the next five years.

	1997 £000	1996 £000
17 Called up share capital		
7,965,000 (8,000,000 authorised) ordinary shares of £1 each fully paid	7,965	7,965
	Group £000	Company £000
18 Development reserve		
At 1 January 1997	8,846	8,846
Release to profit and loss account in respect of goodwill written off	(878)	(878)
At 31 December 1997	7,968	7,968

Five year financial summary

for the year ended 31 December

	1997 £000	1996 £000	1995 £000	1994 £000	1993 £000
Results					
Turnover, including group share of joint ventures	48,383	42,421	41,620	38,167	38,355
Profit before taxation*	2,605	119	2,445	3,113	4,694
Profit attributable to ordinary shareholders*	1,363	203	2,135	1,989	2,905
Net assets					
Fixed assets	24,254	28,653	31,983	31,109	20,597
Net current assets	7,749	3,164	1,841	16,788	13,935
Long term creditors	(400)	(800)	(105)	(532)	(676)
Provisions	(592)	(490)	(1,180)	(2,321)	(2,887)
	31,011	30,527	32,539	45,044	30,969
Profit before tax as a percentage of turnover*					
	5.4%	0.3%	5.9%	8.2%	12.2%
Earnings per ordinary share*	17.1p	2.6p	26.8p	25.0p	36.5p
Dividends per ordinary share*	-	-	-	14.0p	14.0p
Dividend cover*	n/a	n/a	n/a	1.78	2.61

*These figures exclude income earned on special reserve funds, the profit on sale of 85 Fleet Street in 1994 and the 1995 dividend distributing the balance of the special reserve.

	1997 £000	1996 £000
22 Reconciliation of group operating loss to cash flow from operating activities		
Operating loss	(5)	(2,658)
Depreciation charge	3,071	3,045
Increase / (decrease) in provisions	102	(712)
(Profit) / loss on sale of tangible fixed assets	(17)	76
Decrease in stocks	-	19
Decrease / (increase) in debtors	837	(2,168)
(Decrease) / increase in creditors	(1,137)	1,196
	<u>2,851</u>	<u>(1,202)</u>

23 Return on investment and servicing of finance		
Income from fixed asset investments	174	208
Interest received	423	2,079
Interest paid	(8)	(155)
	<u>589</u>	<u>2,132</u>

	1 January 1997 £000	Cash flow £000	31 December 1997 £000
24 Analysis of net funds			
Cash	202	203	405
Short term deposits	2,978	4,605	7,583
Net funds	<u>3,180</u>	<u>4,808</u>	<u>7,988</u>

25 Acquisitions

On 3 June 1997 PA acquired the rights to the name 'UK News' together with most of the business activities of UK News Ltd for a cash consideration of £750,000. No assets, liabilities or cash balances were transferred. The payment, together with associated legal costs, was capitalised but has been written off against reserves as goodwill on consolidation.

Notice of meeting

to the ordinary shareholders

Notice is hereby given that the One Hundred and Thirtieth Annual General Meeting of The Press Association Limited will be held at PA NewsCentre, 292 Vauxhall Bridge Road, London SW1V 1AE on Thursday ~~14~~²¹ May 1998 at 11.30 am for the following purposes:

1. To receive the Directors' Report and Accounts for the year ended 31 December 1997.
2. To ratify the appointment of Sir David English as a director of the company.
3. To ratify the appointment of Mr F P M Johnston CBE as a director of the company.
4. To reappoint Mr C P Graf as a director of the company for a further term.
5. To reappoint the auditors and to authorise the directors to fix their remuneration.
6. To fix the remuneration of the directors.

By Order of the board.

Steven Brown
Secretary

PA NewsCentre
292 Vauxhall Bridge Road
London
SW1V 1AE

A member of the company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member.

2 April 1998.

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