

# The Press Association

The UK leader in news and sports information

Annual Report 2003



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## Financial Highlights and Key Events 2003

- The Press Association makes further progress in diversifying its operations
- Group turnover on continuing activities increases to £65.2 million (2002: £63.7 million)
- Enterprises reports stable underlying operating profits of £4.8 million despite a challenging market
- Group operating profit including joint ventures and associate before exceptional items of £5.6 million (2002: £6.3 million) due to lower profits in Agency and reduced rental income
- Special dividend of £12 million and trading dividend of £2.6 million proposed
- Phase 2 of Howden operations centre completed to budget and on time

## Chairman's Statement

### The success of our focus on growing Enterprises positions us well for 2004

Group operating profit before exceptional items including joint ventures and associate fell to £5.6 million in 2003 from £6.3 million in 2002 on turnover of £65.2 million (2002: £63.7 million) reflecting a decline in Agency profitability and a reduction in rental income following the sale of surplus freehold property. By limiting the decrease in operating profits to £0.7 million, we have effectively absorbed a large part of the £0.4 million reduction in rental income (other operating income 2003: £0.7 million, 2002: £1.1 million) and the £0.9 million (2002: £nil) depreciation and software licensing costs associated with the new Jazbox editorial system. I am pleased to report that we are beginning to see the benefits of the investment in both Jazbox and the new Howden operations centre with operating costs, before exceptional charges and excluding those for Jazbox, rising by less than 0.5% from the level for 2002 despite continuing pressure on salary levels and the April 2003 increase in national insurance charges.

We also saw the benefits in 2003 of our long-term strategy of developing the Enterprises division, with Enterprises maintaining profits before exceptional items and excluding rental income at £4.8 million (2002: £4.8 million) on turnover of £49.7 million (2002: £48.3 million) despite a trading environment that was every bit as difficult as anticipated when I reported to you at the end of 2002. The success of our focus on growing Enterprises positions us well for 2004 as confidence begins to return to the markets.

Within Enterprises, our Sport business performed particularly strongly as our investment in technology over recent years and the relationships we have built with governing bodies such as the Premier League and the British Horseracing Board enabled us to further differentiate our products. Canada NewsWire and PA WeatherCentre also fared well with operating profits from joint ventures and associate rising to £2.9 million from £2.8 million in 2002 due to a £0.1 million increase in the Group's share of profits from PA WeatherCentre. Canada NewsWire (CNW) again delivered profits of £2.7 million (2002: £2.7 million) as a £0.1 million benefit from a stronger Canadian dollar offset a similar decline in local currency profits

reflecting higher marketing expenditure in a more competitive press release distribution market. CNW's position as the leading news release distributor in Canada was reinforced during 2003 by the creation of a joint venture, CNX Marketlink, with the Toronto Stock Exchange which will focus on financial disclosure releases for quoted Canadian companies. This agreement should open up further opportunities for CNW in 2004 and beyond.

The Agency division had a more challenging year with turnover growing by less than 1% to £15.5 million from £15.4 million in 2002. The Board's unswerving commitment to the Agency's editorial mission, in combination with rising wage and national insurance costs, led to a fall in profitability in the Agency division from £0.5 million in 2002 to £0.1 million this year. The Agency's performance remains in line with the strategic aim, set out in 1999, of delivering profits at the break even or slightly better level.

#### Interest income and group profits

Interest income increased to £2.2 million (2002: £1.4 million) benefiting from exceptional interest income of £1.7 million (2002: £0.4 million) on the final element of the deferred consideration from the sale of Ananova which was received in July 2003. Underlying interest income fell from £1.0 million in 2002 to £0.5 million reflecting the payment of the third Ananova dividend of £20 million in December 2002.

Group profits before tax for 2003 were £7.8 million compared to £8.5 million in 2002 as exceptional gains in 2002 of £0.9 million on the sale of surplus freehold property and £0.5 million relating to the sale of Ananova outweighed the higher level of interest income in 2003.

#### Dividends

Cash balances at the end of 2003 totalled £19.3 million (2002: £1.3 million) reflecting strong cash flow generation from trading, the receipt of the Ananova deferred consideration and the proceeds from the 2002 sale of surplus freehold property. The Board has carefully considered the cash requirements of the Group and the historical level of dividends from trading

which have been artificially inflated by interest income on the Ananova proceeds that have now been paid out to shareholders. The Board has concluded that a policy of twice-covered trading dividends would be appropriate for the Group going forward and proposes a final dividend in respect of 2003 trading of £2.6 million. The Board also proposes that a special dividend of £12 million be paid at the same time delivering a further exceptional return to shareholders whilst leaving the Group with sufficient funds to respond to the acquisition and technology investment opportunities that are likely to play a part in the further development of Enterprises. These dividends will bring the total dividends paid since 1999 to £106 million.

#### Review

We have continued to refine our strategy of developing Enterprises and have identified three key areas of opportunity: Sport, Entertainment and Business Information. These are areas where we believe The Press Association brand works well but can work harder and therefore offer considerable scope for growth, both at home and overseas. Equally they all sit around our core competences of real-time content collection, management and distribution.

Sport is already well developed and the ever increasing demand for real-time data on mobile phones and websites plays well to our strengths. Much of this demand is driven by betting and gambling further helping diversify our customer base both nationally and internationally. Our Entertainment business is also well established with its TV Listings business already a clear market leader and we are now focusing on expanding both the range of content we deliver and the markets we sell in.

Business Information is more embryonic but we currently stream UK news to a large number of corporate customers and their advisers, leveraging the content produced by the Agency division and generating annual revenues of more than £1 million from our PA Newswire product. As part of the development of this business we acquired Lovelacemedia Limited, the highly regarded independent provider of news

and information to businesses in the telecoms, media and technology sectors, in January 2004.

During the year we also completed our two major capital projects both, I am pleased to report, on time and to budget. The new operations centre in Howden and the Jazbox editorial system are key to our future development and the Board recognised this when it approved the £9 million investment. The executive team are to be congratulated on the successful completion of these projects and I am delighted that the Prince of Wales was able to formally open the operations centre in October 2003.

#### Outlook

I am cautiously optimistic about our performance in 2004 based on trading in the first few months of the year as our strategy of developing Enterprises continues to deliver results. As always much depends on world events, particularly the war on terrorism where setbacks could damage still fragile business confidence, and I am conscious that the recent strength of the pound against the Canadian dollar will have a negative effect on the value of our share of the profits of Canada NewsWire. However, the board is confident that real opportunities are opening up which will potentially enable The Press Association to become a more diversified information business of significant size and scale.

I would like to close by thanking my board colleagues for their help and support during 2003. I would also thank Paul Potts, his executive team and all of our staff for their hard work. I am sure that they will respond to the improving climate with the same dedication which they have shown in the more challenging environment of recent years.

**Sir Harry Roche**  
Chairman

# Chief Executive's Report

## It was the performance of our core editorial business which delivered the main highlight of a challenging year

### Overview

A strong operational performance across the entire group in 2003 enabled The Press Association to continue to diversify and establish a solid platform for growth.

With group revenues increasing to £65.2 million from £63.7 million in 2002, driven by a £1.4 million increase in Enterprises turnover to £49.7 million, we were able to make significant progress in our strategic aim to become a more broadly based information business. We also drove further operating efficiencies out of Howden enabling us to hold non-staff operating costs at the same £17.4 million level as 2002. This achievement is all the more pleasing as operating costs in 2003 include £0.3 million of Jazbox software licensing costs (2002: £nil).

Enterprises profitability held up well in a tough environment with underlying operating profits before exceptional items and excluding rental income equalling the £4.8 million of 2002. This performance reinforces our strategy of developing Enterprises to provide returns to shareholders as well as financial underpinning for the Agency. We are now focusing our attention on the areas of Enterprises which offer the most scope for above trend growth - Sport, Entertainment and Business Information. I believe we are well positioned to exploit the hard work, operational efficiencies and product innovation of recent years in the developing market for real-time mobile information.

The Press Association is now a market leader in sport information. The company has developed from a service covering UK sport for UK customers into an international sports agency with a worldwide customer base and reputation. To this end we have established PA Asia, deploying a small sales team in the region, and have been encouraged by the response to our products from these emerging markets. We see the potential for significant further growth in Sport as governing bodies around the world see the benefit of partnering with PA to collect and sell data.

Entertainment has also grown over recent years and we now provide the vast majority of TV listings pages in both newspapers and magazines. We intend to build on our success and position ourselves as a market leader to develop a broader entertainment business. As well as giving us access to a larger market both in the UK and abroad, this will enable

us to respond to the enormous demand for more celebrity and show business content from our customers.

Business Information is at an earlier stage in its development but our focus on supplying real-time information into corporate markets aligns well with the Agency's core skills of supplying fast, fair and accurate content. We see considerable opportunity to offer news alert products to customers outside our traditional markets and build on the success of our PA Newsfile product.

### Agency

Our strategy to accelerate growth through the provision of time sensitive business information to a wider market would not be possible without the Agency and, in many ways, it was the performance of our core editorial business, and key asset, which delivered the main highlight of a challenging year.

In a news agenda dominated by the Iraq War and allegations of spin, "sexed-up" dossiers and media distortion, the traditional values of The Press Association have never been more relevant to us and, we believe, our customers.

When Lord Hutton began his hearings into the death of Dr Kelly, PA reporters provided an accurate shorthand note and turned out many thousands of words of running copy for the wire.

But it wasn't just the Gulf and its aftermath. Thorough reporting helped us provide the bedrock of our customers' coverage of breaking news, including the Soham murder trial, where we deployed over 20 reporters and photographers as the verdicts were returned.

A cartilage operation for the Queen; babies for the Earl and Countess of Wessex. Gordon and Sarah Brown and Sir Paul and Lady McCartney; a nasty accident involving Ozzy Osbourne; the hottest day since records began; a heart scare for Tony Blair; a pre-visit interview with President Bush; the defeat of Iain Duncan Smith - all were covered by the PA wire, along with thousands of other stories.

It was a vintage year for the newsroom and a timely reminder that for all the changes we have made to the company in recent years the expectations of customers remain unchanged - fast, reliable copy they can trust.

We have worked particularly hard to improve our customer service with a rolling programme of liaison meetings to receive feedback from editors. As a result we try to respond to requests from the market for increased coverage and identify evolving needs.

The Scottish Press Association is growing into the national news agency for Scotland. To reflect this ambition, we established an extensive video trial with our broadcast customers. Along the way The Scottish Press Association – in our best tradition of pool reporting – conducted a major interview with Prince William at the half-way point in his university studies.

We have also incorporated The Press Association of Ireland which will enable us to strengthen our presence and relevance to customers throughout Ireland.

Sports editorial also had another exceptional year with the range and depth of its coverage. We were first with some of the key points in the saga of David Beckham's departure from Manchester United and first again when Rio Ferdinand was charged with failing to take a drugs test.

But our coverage of England's triumph in the Rugby World Cup final stood out – an enormous challenge bringing together all the demands of the multi content market – real time feeds, running copy, top quality journalism, high class pictures and no pause for breath. Excellent coverage throughout the competition was crowned by graphic running copy and images during the final. The speed and range of our copy gave a large number of customers the opportunity to produce extensive souvenir supplements. We estimate that over the coming year 15 million readers will see our emerging range of PA produced sports supplements which are proving very popular with our regional customers.

#### **Multi-media journalism**

In addition to traditional reporting we have looked to expand into multi-media journalism and deployed our reporting team to the Gulf equipped to shoot video.

We built on this experience by expanding video news-gathering in the UK and believe multi-skilled reporting is certain to play an increasingly important part in our future. We are training our

journalists to handle the new generation of lightweight video cameras to add an additional layer of content to our service. To this end, we are creating a newsroom for the 21st century.

The customers for this video feed already include traditional television broadcasters but inevitably with the advent of broadband and 3G telephones there will be opportunities in other markets.

Multi-skilling enables us to provide services in exactly the form that customers need, whether it be on the wire, in a digital package, as a video report, on a ready-to-print newspaper page, as a page of television text or as a message flashed to a mobile telephone.

#### **Training**

Relevance to customers has always been central to our strategy and in recent years PA has played an important role in developing fresh editorial talent. Our successful in-house training scheme has enabled us to identify and nurture many fine young journalists and we accept – albeit reluctantly – that a large number will eventually want to develop their careers by moving on. We have established a management development programme as well as supporting a wide range of other training including National Vocational Qualifications (NVQs) in Production Journalism and Writing.

Our commitment to training has led to a number of customers collaborating with us on joint schemes and we are confident that training will become a key part of PA's portfolio.

#### **Conclusion**

Last year was not only about a talented bunch of journalists. I want to thank our entire staff for their hard work and commitment. Crucial to all of this has been the role of our Board with its unstinting investment in a quality service and total commitment to our editorial mission. I am confident that this ongoing support, the talent of our staff and The Press Association's brand of fast, fair and accurate journalism will serve us well in 2004.

#### **Paul Potts**

Chief Executive and Editor-in-Chief

# The Board of Directors

## **1 Sir Harry Roche (70)**

Chairman

Joined the Board in 1988. (a) (b) (c)

## **2 Paul Potts (54)**

Chief Executive and Editor-in-Chief

Appointed to the Board and joined  
The Press Association in 1995.

## **3 Sly Bailey (42)**

Joined the Board in 2003.

Chief Executive, Trinity Mirror plc. (a)

## **4 Tim Bowdler (56)**

Joined the Board in 2001.

Chief Executive, Johnston Press plc. (a)

## **5 Steven Brown (50)**

Managing Director

Appointed to the Board in 1996.

Joined The Press Association in 1995.

## **6 Chris Buckley (42)**

Commercial Director

Appointed to the Board in 2002.

Joined The Press Association in 1996.

## **7 Alan Crosbie (49)**

Joined the Board in 2001.

Chairman,

Examiner Publications (Cork) Limited. (a) (c)

## **8 Charles Gregson (56)**

Joined the Board in 2001.

Executive Director,

United Business Media plc. (a)

## **9 Les Hinton (60)**

Joined the Board in 1996.

Executive Chairman and Chief Executive Officer,

News International plc. (a) (b) (d)

## **10 Murdoch MacLennan (54)**

Joined the Board in 1998.

Managing Director,

Associated Newspapers Limited. (a) (b) (d)

## **11 Nick Teunon (38)**

Finance Director

Appointed to the Board in 2002.

Joined The Press Association in 2001.

Non executives (a)

Remuneration committee (b)

Audit committee (c)

Nominations committee (d)



# Report of the Directors

The directors present their annual report together with the financial statements of the company and the group for the year ended 31 December 2003.

## Principal activities and business review

The activities of the group remain principally those of providing news and information to the media and other customers. A review of the business is contained in the Chairman's statement and the Chief Executive's report.

On 1 January 2003 the group acquired the publication rights of Media Lawyer for a cash consideration of £10,000 with a further payment of £40,000 contingent upon the achievement of future revenue targets. Further details of this acquisition can be found in note 11.

## Post balance sheet event

On 9 January 2004 the group acquired the entire share capital of Lovelacemedia Limited for an initial consideration of £80,000 with a further payment of £150,000 contingent upon the achievement of future revenue targets.

## Results and dividend

The profit for the financial year was £5,966,000 (2002: £6,015,000). The directors recommend that a final dividend of £14.6 million, 183.30 pence per share (2002: £4 million, 50.22 pence per share), is paid. In 2002, an interim dividend of £20 million, 251.10 pence per share, was paid. The resulting sustained loss of £8,634,000 (2002: £17,985,000) has been deducted from reserves.

## Directors

The following were directors of the company during the period:

Sir Harry Roche  
Mrs S Bailey (appointed 12.02.03)  
Mr TJ Bowdler  
Mr SJ Brown  
Mr C Buckley  
Mr GA Crosbie  
Mr CP Graf (resigned 03.02.03)  
Mr CH Gregson  
Mr LF Hinton  
Mr M MacLennan  
Mr PJ Potts  
Mr NJ Teunon

## Directors' interest in shares

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

# Report of the Directors

## Employees

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. Staff are directly involved, through their elected representatives and alongside senior management, in Works Councils at each of the group's main sites. *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 group's main pension scheme.*

## Contracts

The nature of the share ownership of The Press Association means that there are commercial relationships between the group 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.

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss and cash flows of the group for that year. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

*The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.*

## Auditors

PricewaterhouseCoopers LLP have indicated their willingness to remain in office and a resolution to reappoint them will be proposed at the annual general meeting.

Approved by the board on 5 April 2004



**Nick Teunon**  
Secretary

# Independent Auditors' Report to the Members of The Press Association Limited

We have audited the financial statements which comprise the group profit and loss account, the statement of total group recognised gains and losses, the balance sheets, the group cash flow statement, the accounting policies and the related notes.

## **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 1985. We also report to you if, in our opinion, the report of the directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become

aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's statement, the Chief Executive's report and the report of the directors.

## **Basis of audit opinion**

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 judgements 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 which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, 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.

## **Opinion**

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 2003 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

London

5 April 2004

# Group Profit and Loss Account

For the year ended 31 December

	Notes	2003 Pre- exceptional items £000	2003 Exceptional items (note 3) £000	2003 Total £000	2002 Pre- exceptional items £000	2002 Exceptional items (note 3) £000	2002 Total £000
Turnover: group and share of joint ventures	1	65,246	—	65,246	63,678	—	63,678
Less: share of joint ventures' turnover		(9,702)	—	(9,702)	(8,821)	—	(8,821)
<b>Group turnover</b>	1	<b>55,544</b>	<b>—</b>	<b>55,544</b>	<b>54,857</b>	<b>—</b>	<b>54,857</b>
Other operating income		673	—	673	1,063	—	1,063
Staff costs	4	56,217	—	56,217	55,920	—	55,920
Depreciation	10	(32,506)	—	(32,506)	(31,678)	—	(31,678)
Other operating charges		(3,543)	—	(3,543)	(3,305)	—	(3,305)
		(17,446)	—	(17,446)	(17,443)	(537)	(17,980)
<b>Operating profit/(loss)</b>	1,2	<b>2,722</b>	<b>—</b>	<b>2,722</b>	<b>3,494</b>	<b>(537)</b>	<b>2,957</b>
Share of operating profit/(loss) in joint ventures and associate	6	2,910	—	2,910	2,826	—	2,826
<b>Operating profit/(loss) including joint ventures and associate</b>	1	<b>5,632</b>	<b>—</b>	<b>5,632</b>	<b>6,320</b>	<b>(537)</b>	<b>5,783</b>
Profit on disposal of subsidiaries	3	—	—	—	—	465	465
Profit on disposal of investment property	3	—	—	—	—	945	945
Group interest receivable	3,7	526	1,662	2,188	960	440	1,400
Group interest payable		(27)	—	(27)	(68)	—	(68)
Share of joint venture interest receivable	7	39	—	39	20	—	20
<b>Profit on ordinary activities before tax</b>		<b>6,170</b>	<b>1,662</b>	<b>7,832</b>	<b>7,232</b>	<b>1,313</b>	<b>8,545</b>
Tax on profit on ordinary activities	8			(1,866)			(2,530)
<b>Profit for the financial year</b>				<b>5,966</b>			<b>6,015</b>
Dividend	9			(14,600)			(24,000)
<b>Sustained loss for the financial year</b>	19			<b>(8,634)</b>			<b>(17,985)</b>

All of the above results are derived from continuing operations.

# Statement of Total Group Recognised Gains and Losses

For the year ended 31 December

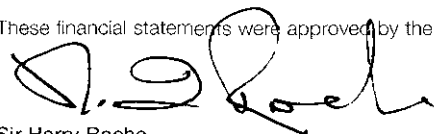
	Notes	2003 £000	2002 £000
<b>Profit for the financial year</b>			
Group		4,047	4,292
Share of retained profit in joint ventures		1,919	1,723
Currency translation difference on investment in joint venture	19 12	5,966 211	6,015 (229)
<b>Total recognised gains relating to the year</b>		<b>6,177</b>	<b>5,786</b>

# Group Balance Sheet

As at 31 December

	Notes	2003 £000	2003 £000	2002 £000	2002 £000
<b>Fixed assets</b>					
Tangible assets	10		23,846		23,328
Intangible assets	11		3,510		3,622
Investment in joint ventures and associate	12				
Share of joint ventures' gross assets		5,348		3,817	
Share of joint ventures' gross liabilities		(1,266)		(1,080)	
Investment in joint ventures		4,082		2,737	
Investment in associate		36		45	
Loans to joint ventures and associate		4,118 80		2,782 240	
			4,198		3,022
			31,554		29,972
<b>Current assets</b>					
Stocks			67		58
Debtors	14		7,732		26,847
Short-term deposits			16,500		—
Cash			2,782		1,344
			27,081		28,249
<b>Creditors</b>					
Amounts falling due within one year	15		(21,658)		(12,448)
<b>Net current assets</b>			5,423		15,801
<b>Total assets less current liabilities</b>			36,977		45,773
<b>Provisions for liabilities and charges</b>	17		(639)		(1,012)
<b>Net assets</b>			36,338		44,761
<b>Capital and reserves</b>					
Called up share capital	18		7,965		7,965
Profit and loss account	19		28,373		36,796
<b>Equity shareholders' funds</b>	20		36,338		44,761

These financial statements were approved by the board on 5 April 2004



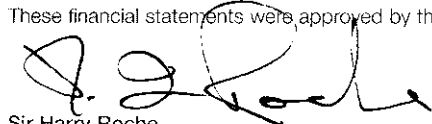
Sir Harry Roche  
Director

# Company Balance Sheet

As at 31 December

	Notes	2003 £000	2002 £000
<b>Fixed assets</b>			
Tangible assets	10	14,510	13,619
Investments	13	63,700	63,700
		<b>78,210</b>	<b>77,319</b>
<b>Current assets</b>			
Debtors	14	1,764	20,999
Short-term deposits		16,500	—
Cash		1,319	1,015
		<b>19,583</b>	<b>22,014</b>
<b>Creditors</b>			
Amounts falling due within one year	15	(24,043)	(12,224)
<b>Net current (liabilities)/assets</b>		<b>(4,460)</b>	<b>9,790</b>
<b>Total assets less current liabilities</b>		<b>73,750</b>	<b>87,109</b>
<b>Provisions for liabilities and charges</b>	17	—	(308)
<b>Net assets</b>		<b>73,750</b>	<b>86,801</b>
<b>Capital and reserves</b>			
Called up share capital	18	7,965	7,965
Profit and loss account	19	65,785	78,836
<b>Equity shareholders' funds</b>	20	<b>73,750</b>	<b>86,801</b>

These financial statements were approved by the board on 5 April 2004



Sir Harry Roche  
Director

# Group Cash Flow Statement

For the year ended 31 December

	Notes	2003 £000	2002 £000
<b>Net cash inflow from operating activities</b>	22	<b>7,198</b>	<b>5,758</b>
Dividends received from joint ventures		784	771
Net return on investment and servicing of finance	23	2,586	1,570
Tax (paid)/recovered		(574)	619
		<b>9,994</b>	<b>8,718</b>
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(4,033)	(8,929)
Receipts from disposal of tangible fixed assets	3	6,768	—
		<b>2,735</b>	<b>(8,929)</b>
<b>Acquisitions and disposals</b>			
Sale of subsidiaries		9,852	2,803
Purchase of subsidiaries		—	(306)
Net cash acquired with subsidiaries		—	54
Purchase of associate		—	(57)
Purchase of trade and assets	11	(10)	(2,155)
Payment of deferred consideration		(90)	(90)
Receipts/(payments) in respect of joint ventures and associate		160	(30)
		<b>9,912</b>	<b>219</b>
<b>Equity dividends paid</b>		<b>(4,703)</b>	<b>(38,891)</b>
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		<b>17,938</b>	<b>(38,883)</b>
<b>Management of liquid resources</b>			
(Increase)/decrease in short-term deposits	24	(16,500)	37,301
<b>Increase/(decrease) in cash</b>	24	<b>1,438</b>	<b>(1,582)</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(decrease) in cash	24	1,438	(1,582)
Increase/(decrease) in short-term deposits		16,500	(37,301)
Increase/(decrease) in net funds		17,938	(38,883)
Net funds at 1 January		1,344	40,227
Net funds at 31 December	24	19,282	1,344

# Accounting Policies

## Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

## Basis of consolidation

The group financial statements are a consolidation of the audited financial statements of the company and its subsidiaries, the principal ones of which are listed in note 13. No profit and loss account is presented for The Press Association Limited as provided by Section 230 of the Companies Act 1985.

## Turnover

Turnover comprises the net amount receivable in respect of the sales of news and other information, new media services, and response and fulfilment services and is recognised as services are provided to customers.

## Tax

The charge for tax is based on the profit for the year and takes into account tax deferred or accelerated because of timing differences between the treatment of certain items for accounting and tax purposes. Full provision is made for deferred tax resulting from timing differences between profits computed for tax purposes and profits stated in the financial statements to the extent that there is an obligation to pay more tax, or a right to pay less tax, in the future as a result of the reversal of those timing differences. Deferred tax assets are recognised to the extent that they are expected to be recoverable. Deferred tax is not discounted.

## Tangible fixed assets

Tangible fixed assets are stated at cost less any provision for 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 property	2%
Long leasehold property	5% - 10%
Computers and other equipment	14% - 50%
Freehold land is not depreciated.	

## Goodwill

Goodwill arising on consolidation represents the excess of the fair value of consideration paid over the fair value of the identifiable net assets acquired and is amortised through the profit and loss account over its useful economic life. The Directors have assessed the estimated useful economic life of goodwill to be in the range of 10 to 20 years, based upon the strength of the underlying business and upon projected future growth. The Directors review the level of goodwill for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

## 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 joint ventures is included in the consolidated profit and loss account. In the consolidated balance sheet the investment in the joint ventures is included as the group share of the net assets of the venture at the year end. On acquisition, the excess of the cost of the investment over the group's share of the net assets attributed to the holding is capitalised as goodwill and amortised over its useful economic life.

## Associated undertakings

Associated undertakings comprise investments in undertakings where the group has a shareholding of between 20% and 50% and has significant influence over the commercial and financial policy of the entity. The group share of the result of its investment in an associated undertaking is included in the consolidated profit and loss account. In the consolidated balance sheet the investment in the associated undertaking is included as the group share of the net assets of the associated undertaking 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 capitalised as goodwill and amortised over its useful economic life.

## Foreign currencies

Assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange at the year end. 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.

## Pensions

The group operates a defined benefit scheme which has been closed to new members, under which contributions are paid by group companies and employees to provide pension and other benefits expressed in terms of percentage of pensionable 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. The group also operates defined contribution schemes for all staff not eligible to join the defined benefit scheme and for a small number of senior employees. For these defined contribution schemes, the amounts charged to the profit and loss account are the contributions payable in the period.

## Leasing

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



# Notes to the Financial Statements

## 1 Segmental reporting

	2003 Pre- exceptional items £000	2003 Exceptional items (note 3) £000	2003 Total £000	2002 Pre- exceptional items £000	2002 Exceptional items (note 3) £000	2002 Total £000
Turnover including joint ventures						
Agency	15,525	—	15,525	15,388	—	15,388
Enterprises	49,721	—	49,721	48,290	—	48,290
<b>Total</b>	<b>65,246</b>	<b>—</b>	<b>65,246</b>	<b>63,678</b>	<b>—</b>	<b>63,678</b>
Group	55,544	—	55,544	54,857	—	54,857
Joint ventures	9,702	—	9,702	8,821	—	8,821
<b>Total</b>	<b>65,246</b>	<b>—</b>	<b>65,246</b>	<b>63,678</b>	<b>—</b>	<b>63,678</b>
Operating profit/(loss) including joint ventures and associate						
Agency	127	—	127	464	—	464
Enterprises	5,505	—	5,505	5,856	(537)	5,319
<b>Total</b>	<b>5,632</b>	<b>—</b>	<b>5,632</b>	<b>6,320</b>	<b>(537)</b>	<b>5,783</b>
Group	2,722	—	2,722	3,494	(537)	2,957
Joint ventures and associate	2,910	—	2,910	2,826	—	2,826
<b>Total</b>	<b>5,632</b>	<b>—</b>	<b>5,632</b>	<b>6,320</b>	<b>(537)</b>	<b>5,783</b>

The Agency segment of the business represents the core subscription-based news and sports wire service supplied to the traditional newspaper and broadcast markets on a non-exclusive communal basis. Enterprises covers the other products and bespoke services including sports data services, photo syndication and contract publishing, and includes the group's response and fulfilment business along with the joint ventures and associate.

## 2 Operating profit/(loss)

	2003 £000	2002 £000
Operating profit/(loss) is stated after charging:		
Group audit fee	50	46
Company audit fee	8	8
Payments to the auditors for non-audit services	36	93
Operating lease rentals		
- land and buildings	905	623
- motor vehicles and other equipment	430	368
Amortisation of goodwill	220	96
Loss on disposal of tangible fixed assets	—	136

# Notes to the Financial Statements

## 3 Exceptional items

The exceptional interest receivable of £1,662,000 relates to interest received on the final £11,000,000 of deferred consideration from the date of disposal of Ananova Limited to 30 July 2003 when the deferred consideration was paid in full. The prior year exceptional interest receivable of £440,000 relates to interest accruing on £4,000,000 of deferred consideration from the date of disposal of Ananova Limited to 16 September 2002 when this element of the deferred consideration was paid.

The prior year exceptional charge of £537,000 within operating profit/(loss) was in respect of onerous property commitments (£434,000) and the write off of related redundant assets (£103,000). The group has certain vacant premises, and after giving due regard to these obligations and to expected future economic benefits, the directors concluded it appropriate to recognise a provision to the extent that these obligations exceeded expected future economic benefits.

The prior year profit on sale of subsidiaries of £465,000 is in respect of the sale of Ananova Limited in July 2000 following adjustments to the net amounts receivable in respect of that disposal.

The prior year exceptional profit of £945,000 relates to the sale of the group's only investment property for a consideration of £6,894,000. Unconditional exchange of contracts took place on 31 December 2002 and completion occurred on 31 January 2003. On that date the consideration was received in full.

## 4 Staff costs and employee information

	2003 £000	2002 £000
Wages and salaries	28,562	27,940
Social security costs	2,380	2,171
Other pension costs	1,564	1,567
	<b>32,506</b>	<b>31,678</b>

	2003 Number	2002 Number
Average number of directors and staff employed by the group during the year:		
Agency	247	265
Enterprises	791	775
Central support	201	195
	<b>1,239</b>	<b>1,235</b>

## 5 Directors' emoluments disclosure

	2003 £000	2002 £000
Group emoluments of the company's directors:		
Aggregate emoluments	941	678
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	119	—
Sums paid to third parties for director's services	60	60
Amounts paid by the company in respect of money purchase pension scheme	98	87
	<b>1,218</b>	<b>825</b>
Amounts in respect of the highest paid director:		
Emoluments (including amounts receivable under annual incentive schemes of £83,000 (2002: £nil))	326	216
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	55	—
Amounts paid by the company in respect of money purchase pension scheme	37	34
	<b>418</b>	<b>250</b>

Retirement benefits are accruing to four directors (2002: four) under defined benefit schemes and to three directors (2002: three) under money purchase schemes. The highest paid director has an accrued pension at the year end of £21,900 (2002: £19,900).

6 Share of operating profit/(loss) in joint ventures and associate

	2003 £000	2002 £000
Share of operating profit in joint ventures	2,911	2,839
Share of operating loss in associate	(1)	(13)
	<b>2,910</b>	<b>2,826</b>
The above results include:		
Canada NewsWire Limited		
Turnover	8,805	8,054
Operating profit	2,698	2,704
Interest receivable	39	20
Tax	(993)	(1,088)
Profit after tax	<b>1,744</b>	<b>1,636</b>

7 Interest receivable

	2003 £000	2002 £000
Interest on deposits	526	960
Interest receivable on deferred consideration (see note 3)	1,662	440
Share of joint venture interest receivable	39	20
	<b>2,227</b>	<b>1,420</b>

8 Tax on profit on ordinary activities

	2003 £000	2002 £000
Current tax:		
UK Corporation tax at 30% (2002: 30%)	1,425	1,411
Double tax relief	(355)	(384)
Overprovision in respect of previous years	(514)	(198)
	<b>556</b>	<b>829</b>
Overseas tax	78	77
Share of joint ventures' tax	1,030	1,123
Total current tax	<b>1,664</b>	<b>2,029</b>
Deferred tax:		
Origination and reversal of timing differences	202	501
Tax on profit on ordinary activities	<b>1,866</b>	<b>2,530</b>

# Notes to the Financial Statements

## 8 Tax on profit on ordinary activities (continued)

The current tax for the year is lower (2002: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2003 £000	2002 £000
Profit on ordinary activities before tax	7,832	8,545
At standard rate of corporation tax of 30% (2002: 30%)	2,350	2,563
Effects of		
Overseas tax rates in excess of 30% (2002: in excess of 30%)	249	320
Profit on disposal of investment property not taxable	—	(283)
Excess of depreciation over capital allowances	44	(78)
Utilisation of general provisions and other timing differences	(469)	(423)
Adjustments in respect of prior periods	(514)	(198)
Other	4	128
	1,664	2,029

## 9 Dividend

	2003 £000	2002 £000
Equity dividends:		
Interim dividend paid nil pence per share (2002: paid 251.10 pence)	—	20,000
Final dividend proposed 183.30 pence per share (2002: 50.22 pence)	14,600	4,000
	14,600	24,000

## 10 Tangible assets

	Freehold property £000	Long leasehold property £000	Computers and other equipment £000	Assets under construction £000	Total £000
<b>Group</b>					
Cost					
At 1 January 2003	14,220	253	22,857	477	37,807
Additions during the year	1,175	158	2,782	—	4,115
Reclassification	477	—	—	(477)	—
Disposals	—	—	(284)	—	(284)
Adjustment (note 11)	—	—	(54)	—	(54)
At 31 December 2003	15,872	411	25,301	—	41,584
Accumulated depreciation					
At 1 January 2003	1,080	42	13,357	—	14,479
Provided during the year	282	49	3,212	—	3,543
Disposals	—	—	(284)	—	(284)
At 31 December 2003	1,362	91	16,285	—	17,738
Net book amount					
At 31 December 2003	14,510	320	9,016	—	23,846
At 31 December 2002	13,140	211	9,500	477	23,328

# 10 Tangible assets (continued)

Company	Freehold property £000	Long leasehold property £000	Computers and other equipment £000	Assets under construction £000	Total £000
Cost					
At 1 January 2003	14,220	—	44	477	14,741
Additions during the year	1,175	—	—	—	1,175
Reclassification	477	—	—	(477)	—
At 31 December 2003	15,872	—	44	—	15,916
Accumulated depreciation					
At 1 January 2003	1,080	—	42	—	1,122
Provided during the year	282	—	2	—	284
At 31 December 2003	1,362	—	44	—	1,406
Net book amount					
At 31 December 2003	14,510	—	—	—	14,510
At 31 December 2002	13,140	—	2	477	13,619

# 11 Intangible assets

Group	Goodwill £000
Cost	
At 1 January 2003	3,765
Additions	54
Fair value adjustment	54
At 31 December 2003	3,873
Accumulated amortisation	
At 1 January 2003	143
Provided during the year	220
At 31 December 2003	363
Net book amount	
At 31 December 2003	3,510
At 31 December 2002	3,622

On 1 January 2003 the company acquired the publishing rights of Media Lawyer, for a cash consideration of £10,000 with a further payment of £40,000 contingent upon the achievement of future revenues. Media Lawyer is a bi-monthly legal newsletter containing legal developments relevant to the media industry.

During the year, adjustments totalling £54,000 were made to the provisional fair value attributed to the assets and liabilities of International News Productions Limited during 2002. The impact of these adjustments was to increase goodwill. The purpose of these adjustments was to write down to nil the carrying value of fixed assets not utilised by that business.

# Notes to the Financial Statements

## 12 Investment in joint ventures and associate

	2003 £000	2002 £000
<b>Group</b>		
Share of net assets		
At 1 January	2,782	2,022
Currency translation difference on investment in joint venture	211	(229)
Share of retained net profit after dividends received of £784,000 (2002: £771,000)	1,132	935
Goodwill amortised	(7)	(3)
Purchase of associate	—	57
<b>At 31 December</b>	<b>4,118</b>	<b>2,782</b>
Analysed between:		
Net assets	4,061	2,718
Goodwill	57	64
	<b>4,118</b>	<b>2,782</b>
Investment in joint ventures	4,082	2,737
Investment in associate	36	45
<b>Total investment in joint ventures and associate</b>	<b>4,118</b>	<b>2,782</b>
Loans to joint ventures and associate		
At 1 January	240	210
Repaid	(160)	(50)
Issued	—	80
<b>At 31 December</b>	<b>80</b>	<b>240</b>

The joint ventures are as follows:

Company	Activity	Group Interest in Ordinary Shares and Voting Rights
Canada NewsWire Limited (incorporated in Canada)	Communications and distribution	50%
PA WeatherCentre Limited	Meteorological data and information	50%

The shares in Canada NewsWire Limited are held by an investment holding company, PA News Investments Limited, that is a direct subsidiary undertaking of the company. The shares in PA WeatherCentre Limited are held by PA News Limited, a direct subsidiary undertaking of the company.

During the year group companies provided services to the joint ventures amounting to £162,000 (2002: £178,000) and incurred cost of sales of £18,000 (2002: £18,000). Amounts due from joint ventures at the year end are included in debtors and creditors (see notes 14 and 15).

	2003 £000	2002 £000
Analysis of group share of net assets in principal joint venture:		
Canada NewsWire Limited		
Fixed assets	777	807
Current assets	4,210	2,710
Liabilities due within less than one year	(1,004)	(704)
	<b>3,983</b>	<b>2,813</b>

## 12 Investment in joint ventures and associate (continued)

The associate is as follows:

Company	Activity	Group Interest in Ordinary Shares and Voting Rights
Television News Release Limited	Video news releases	40%

The shares in Television News Release Limited are held by PA News Limited, a direct subsidiary undertaking of the company.

During the year group companies provided services to the associate amounting to £43,000 (2002: £59,000) and incurred cost of sales of £nil (2002: £nil).

## 13 Investments

	2003 £000	2002 £000
<b>Company</b>		
Cost and net book amount		
At 31 December	63,700	63,700

The principal trading subsidiary undertakings are as follows:

Company	Activity	Parent and Group Interest in Ordinary Shares and Voting Rights
PA News Limited	News	100%
PA Photos Limited	Photo syndication	100%*
International News Productions Limited	Broadcast services	100%*
Two-Ten Communications Limited	Response and fulfilment	100%*

\* The shares in these companies are held by PA News Limited.

## 14 Debtors

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Trade debtors	4,567	5,361	22	5
Amount owed by subsidiary undertakings	—	—	664	290
Amount owed by associate	11	13	—	—
Other debtors	274	18,201	72	18,026
Prepayments and accrued income	2,115	2,305	112	463
Corporation tax recoverable	—	—	555	1,644
Deferred tax asset (note 16)	765	967	339	571
	<b>7,732</b>	<b>26,847</b>	<b>1,764</b>	<b>20,999</b>

Other debtors include £118,000 (2002: £nil) receivable from the defined benefit pension scheme operated by the company.

# Notes to the Financial Statements

## 15 Creditors: amounts falling due within one year

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Trade creditors	2,080	2,220	—	103
Amount owed to subsidiary undertakings	—	—	9,060	5,952
Amount owed to joint ventures	74	90	—	—
Corporation tax	619	560	—	—
Other taxes and social security	1,472	1,102	5	53
Other creditors	2	1,258	—	1,158
Accruals and deferred income	2,811	2,515	378	255
Dividends payable	14,600	4,703	14,600	4,703
	21,658	12,448	24,043	12,224

## 16 Deferred tax asset

	Group £000	Company £000
At 1 January 2003	967	571
Transfer to profit and loss account	(202)	(232)
At 31 December 2003	765	339

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
The deferred tax asset comprises:				
Fixed asset timing differences	660	421	—	38
Other timing differences	105	546	339	533
	765	967	339	571

### Factors that may affect future tax charges

Based on current capital expenditure plans, the group expects current timing differences to reverse, hence the deferred tax asset is recognised in full under FRS 19.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws substantively enacted at the balance sheet dates.

## 17 Provisions for liabilities and charges

	Deferred consideration £000	Onerous property commitments £000	Long-term incentive plan £000	Arising on sale of subsidiary £000	Other £000	Total £000
Group						
At 1 January 2003	230	434	237	71	40	1,012
Utilised in the year	—	(205)	(237)	(71)	(3)	(516)
On acquisition	40	—	—	—	—	40
Charged to profit and loss account	10	—	93	—	—	103
At 31 December 2003	280	229	93	—	37	639



#### 17 Provisions for liabilities and charges (continued)

	Long-term incentive plan £000	Arising on sale of subsidiary £000	Total £000
<b>Company</b>			
At 1 January 2003	237	71	308
Utilised in the year	(237)	(71)	(308)
At 31 December 2003	—	—	—

Deferred consideration is potentially payable in two years in respect of the acquisition of International News Productions Limited, and in three years in respect of Media Lawyer.

Provision is made against the liability arising on certain unoccupied leased properties to the extent that the directors believe the costs will not be offset by assignment or sub-letting. It is anticipated that these provisions will be fully utilised by the end of 2004.

The group long-term incentive plan was set up by the Remuneration Committee in 2001 to reward senior executives based on group performance over a minimum five year period. Provision was made in 2001 and 2002 to reflect the increase in value of units issued under the plan to senior executives at the balance sheet date. The Remuneration Committee decided during 2002 that the structure of the scheme meant that it would not act as a suitable incentive to senior executives during 2003 and wound up the scheme. The provisions made as at 31 December 2002 were paid to the senior executives in the scheme as consideration for the termination of the scheme.

During the year a long-term incentive plan was set up for the senior executives of the group's response and fulfilment subsidiary, Two-Ten Communications Limited and provision has been made for the increase in value of units issued under the plan at the balance sheet date.

Provisions arising on sale of subsidiary related to costs anticipated in connection with the disposal made in 2000. These were fully utilised during the year.

#### 18 Called up share capital

	2003 £000	2002 £000
7,965,000 (8,000,000 authorised) ordinary shares of £1 each fully paid	7,965	7,965

#### 19 Profit and loss account

	Group £000	Company £000
At 1 January 2003	36,796	78,836
Currency translation difference on investment in joint venture	211	—
Sustained loss for the financial year	(8,634)	(13,051)
At 31 December 2003	28,373	65,785

Cumulative goodwill written off directly to group reserves prior to the implementation of FRS 10, Goodwill and Intangible Assets, is £12,885,000 (2002: £12,885,000). This goodwill was written off to reserves as a result of accounting policies adopted at the time of these acquisitions. Subsequent disposal of the businesses to which this goodwill relates would result in these amounts being charged to the profit and loss account.

# Notes to the Financial Statements

## 20 Reconciliation of movements in equity shareholders' funds

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Profit for the financial year	5,966	6,015	1,549	2,567
Dividend	(14,600)	(24,000)	(14,600)	(24,000)
Sustained loss for the financial year	(8,634)	(17,985)	(13,051)	(21,433)
Currency translation difference on investment in joint venture	211	(229)	—	—
Net reduction in equity shareholders' funds	(8,423)	(18,214)	(13,051)	(21,433)
Opening equity shareholders' funds	44,761	62,975	86,801	108,234
Closing equity shareholders' funds	36,338	44,761	73,750	86,801

## 21 Financial commitments

	2003 £000	2002 £000
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	5	—
One to five years	209	152
Beyond five years	710	706
	924	858
Motor vehicles and equipment, leases expiring:		
Within one year	124	44
One to five years	255	277
	379	321
Capital expenditure contracted for but not provided	526	2,397

## 22 Reconciliation of group operating profit to net cash inflow from operating activities

	2003 £000	2002 £000
Operating profit	2,722	2,957
Depreciation and amortisation	3,763	3,401
(Decrease)/increase in provisions	(423)	504
Loss on disposal of tangible fixed assets	—	136
Increase in stocks	(9)	(11)
Decrease in debtors	730	66
Increase/(decrease) in creditors	415	(1,295)
	7,198	5,758

## 23 Net return on investment and servicing of finance

	2003 £000	2002 £000
Interest received	2,603	1,628
Interest paid	(17)	(58)
	2,586	1,570

## 24 Analysis of net funds

	1 January 2003 £000	Cash flow £000	31 December 2003 £000
Cash	1,344	1,438	2,782
Short-term deposits	—	16,500	16,500
Net funds	1,344	17,938	19,282

Short-term deposits include all funds that are not immediately available to the group without interest penalty.

## 25 Pensions

The group operated a funded defined benefit pension scheme for its employees in the UK until 30 June 2002 at which point it was closed to new members. The scheme has assets in separate trustee administered funds. A replacement defined contribution scheme was set up for employees wishing to join after 30 June 2002. The group also operates defined contribution schemes for a small number of senior executives and directors.

The defined benefit scheme is administered by trustees and is independent of the group's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuarial advisor. The replacement defined contribution scheme is a group personal pension plan operated by Scottish Widows.

*In line with the requirements of FRS 17, published by the Accounting Standards Board in November 2000, details in respect of the defined benefit scheme are provided below in accordance with both SSAP 24 and FRS 17. The group will not be adopting FRS 17 earlier than the mandatory requirement to do so and therefore the figures in the financial statements reflect the SSAP 24 details below.*

### SSAP 24

Formal actuarial valuations of the main pension scheme are carried out triennially by Lane Clark & Peacock LLP, consulting actuaries, using the projected unit method. The most recent valuation was carried out as at 31 December 2002. The principal assumptions adopted in the valuation were that, over the long-term:

- the annual rate of return on equity investments would be 6.5% pa;
- the annual rate of return on bond investments would be 4.5% pa;
- the long-term allocation of the asset portfolio would initially be 75% equities, 25% bonds shifting to 100% bonds over 20 years;
- the growth in pensionable pay would be 4.3% pa;
- inflation would be 2.3% pa;
- increases in pensions would be 2.3% pa; and
- expenses of management would be 1% of pensionable pay.

The market value of the fund's assets at 31 December 2002 was £77.0 million, which represented 92% of the value of the benefits accrued to members allowing for expected future increases in earnings and pensions.

*For accounting purposes, actuarial assumptions were adopted as for the most recent valuation of the fund, as set out above, except that the annual rate of return on equity investments is assumed to be 7.8% pa. On these assumptions, the regular pension cost for group companies and members was 16% of members' pensionable pay. Members will contribute at a rate of 6% of pensionable pay in 2003, 7% in 2004 and 8% in 2005. The pension cost in note 4, equivalent to 9% of such pay, is net of the group's share of the deficit amortised on the constant percentage-of-payroll spreading method and considers the average Company cost over the next three years. The contributions paid by the group to the fund have always equalled pension costs, so there is no pension prepayment or provision included in the balance sheet at 31 December 2003 (2002: nil).*

Contributions to defined contribution arrangements totalled £198,000 (2002: £214,000) of which £nil (2002: £nil) was accrued at the year end.

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

### FRS 17

The formal actuarial valuation was updated to 31 December 2003 by an independent qualified actuary in accordance with the transitional arrangements of FRS 17. As required by FRS 17, the defined benefit liabilities have been measured using the projected unit method. The scheme was closed to new entrants during the year and, under the projected unit method, the current service cost can therefore be expected to increase as the members of the scheme approach retirement.

# Notes to the Financial Statements

## 25 Pensions (continued)

The following table sets out the key FRS 17 assumptions used for the scheme. The table also sets out as at the accounting date the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities, the deficit of assets below the FRS 17 liabilities (which equals the Gross pension liability).

Main assumptions	31 December 2003		31 December 2002	
Price Inflation	2.8% pa		2.3% pa	
Discount rate	5.4% pa		5.6% pa	
Pension increases (LPI)	2.6% pa		2.3% pa	
Salary growth	4.8% pa		4.3% pa	
Asset distributions and expected returns	31 December 2003		31 December 2002	
	Expected return	Fair value £ million	Expected return	Fair value £ million
Equities	8.3% pa	64.9	7.8% pa	58.0
Bonds	5.4% pa	8.7	5.6% pa	4.1
Gilts	4.8% pa	15.6	4.4% pa	12.9
Property	6.6% pa	2.6	6.1% pa	2.5
Other	4.6% pa	0.1	4.0% pa	1.0
Total		91.9		78.5
Present value of scheme liabilities		(96.7)		(84.1)
Gross pension liability – UK		(4.8)		(5.6)
Gross pension liability – overseas joint venture		(0.2)		(0.2)
Related deferred tax asset		1.5		1.7
Net pension liability		(3.5)		(4.1)

Under FRS 17, the Fund would be represented on the balance sheet at 31 December 2003 as a liability of £5.0 million (2002: £5.8 million) which amounts to £3.5 million net of deferred tax (2002: £4.1 million). The group's net assets, including the disclosed FRS 17 balance sheet item above, would be £32.8 million at 31 December 2003 (31 December 2002: £40.8 million).

Over the year to 31 December 2003, contributions by the company to the scheme of £1.3 million (2002: £1.4 million) were made to the Fund. It has been agreed with the Trustees that employer contributions will increase to 10.5% of annual pensionable salary for 2004, 12% for 2005 and 13.5% for 2006. The rates will then be reviewed following the next actuarial valuation.

The gross surplus/(deficit) under FRS 17 moved over the period as follows:

	Year to 31 December 2003 £ million	Year to 31 December 2002 £ million
(Deficit)/surplus at start of year	(5.6)	13.7
Current service cost (employee and employer)	(3.2)	(3.3)
Contributions (employee and employer)	2.3	2.3
Other net finance income	0.8	2.3
Actuarial gain or (loss) recognised in STRGL	0.9	(20.6)
Deficit at end of year	(4.8)	(5.6)

The following amounts would have been included within operating profit under FRS 17:

	Year to 31 December 2003 £ million	Year to 31 December 2002 £ million
Current service cost (employer's part only)	2.2	2.3
Total operating charge	2.2	2.3

## 25 Pensions (continued)

The following amounts would have been included as net finance income under FRS 17:

	Year to 31 December 2003 £ million	Year to 31 December 2002 £ million
Expected return on pension scheme assets	5.5	7.0
Interest on pension scheme liabilities	(4.7)	(4.7)
Net return to credit to finance income	0.8	2.3

The following amounts would have been recognised within the statement of total recognised gains and losses ("STRGL") under FRS 17:

	Year to 31 December 2003 £ million	Year to 31 December 2002 £ million
Actual return less expected return in scheme assets	9.6	(20.1)
Experience gains arising on scheme liabilities	0.7	0.8
Loss due to changes in assumptions underlying the present value of scheme liabilities	(9.4)	(1.4)
Actuarial gain/(loss) recognised in the STRGL	0.9	(20.7)

The history of experience gains and losses is:

	31 December 2003	31 December 2002
Actual return less expected return in scheme assets (£m)	9.6	(20.1)
Percentage of scheme's assets	10%	(26%)
Experience gains arising on scheme's liabilities (£m)	0.7	0.8
Percentage of the present value of the scheme's liabilities	1%	1%
Total amount recognised in the STRGL (£m)	0.9	(20.7)
Percentage of the present value of the scheme's liabilities	1%	(25%)

The scheme is now closed to new entrants and, under the method used to calculate pension costs in accordance with FRS 17, the costs as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

## 26 Post balance sheet event

On 9 January 2004 the group acquired the entire share capital of Lovelacemedia Limited for a cash consideration of £80,000 with a further payment of £150,000 contingent upon the achievement of future profit targets. Lovelacemedia Limited is an independent provider of news and information to businesses in the telecoms, media, and technology (TMT) sectors.

## 27 Related party disclosure

The company has taken advantage of the exemption under FRS 8, Related Party Transactions, not to disclose transactions with other group companies.

The company provides administrative services to the group's pension schemes. During the year a total of £26,000 (2002: £22,000) was recharged to the schemes, and at 31 December 2003 £118,000 (2002: £nil) was owed by the schemes to the group.

# Five Year Financial Summary

For the year ended 31 December

	2003 £000	2002 £000	2001 £000	2000 £000	1999 £000
<b>Results</b>					
Turnover including group share of joint ventures	65,246	63,678	61,784	57,699	59,789
Operating profit including joint ventures and associate	5,632	5,783	6,466	5,325	4,164
Profit before tax*	7,832	7,135	9,262	9,112	5,181
Profit attributable to ordinary shareholders*	5,966	4,605	6,405	7,978	3,553
Earnings per ordinary share*	74.9p	57.8p	80.5p	100.2p	44.6p
Trading dividends per ordinary share	32.6p	50.2p	50.2p	37.7p	—

\* These figures exclude the profit on disposal of subsidiaries and of interest in joint ventures.

## Solicitors

Taylor Wessing, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX

## Bankers

HSBC Bank plc, 16 Market Place, Howden, Goole, E Yorks DN14 7BN

## Auditors

PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH

## Registered Office

292 Vauxhall Bridge Road, London SW1V 1AE

Registered No. London 4197

# Summary of Photography

## Cover (top – bottom, left – right)

A soldier of the 1st Battalion The Parachute Regiment shaves in the early morning mist as they prepare for operations at their camp in southern Iraq. (Chris Ison)

England's Jonny Wilkinson celebrates with team mate Will Greenwood after their win over Australia in the Rugby World Cup Final in Sydney. (Gareth Copley)

England football captain David Beckham kisses his wife, Victoria, as he holds the OBE he received from Queen Elizabeth II at Buckingham Palace. (Fiona Hanson)

Prince Harry yelps in pain after being pricked by an echidna named Spike during a photocall at Taronga Zoo in Sydney, Australia. (Phil Noble)

Captain Mike Bannister and Senior First Officer Jonathan Napier wave from the cockpit as Concorde lands at Heathrow airport for the final time. (Sean Dempsey)

## Inside front cover (top – bottom, left – right)

Her Majesty The Queen and Prince Philip enjoy the spectacle as a swarm of bees cause concern before The Queen's Company Review at Windsor Castle. (Chris Young)

Singers Justin Timberlake and Kylie Minogue perform on stage during *The Brit Awards 2003* at Earls Court 2, London. (Myung Jung Kim)

Newcastle's Alan Shearer in action against Aston Villa during the FA Barclaycard Premiership match at St James's Park, Newcastle. (Owen Humphreys)

Tony and Cherie Blair view an art installation "Asian Field" by British artist Anthony Gormley on a visit to China. (Stefan Rousseau)

Lady Thatcher is comforted by her grandson Michael and her son Mark outside the memorial service for her late husband Sir Denis Thatcher in The Guards Chapel, Birdcage Walk, London. (Stefan Rousseau)

A woman is led away by police in Trafalgar Square, during the *May Day protests* in London. (Andrew Parsons)

Gordon Brown holds his son John as he stands with his wife Sarah outside Edinburgh Royal Infirmary. (Andrew Milligan)

Courtney Love attends a party at the Old Billingsgate Fish Market, London. (Yui Mok)

## Page 1 (left – right)

Gunner Simon Stuppel with his dog Denzil, while out on patrol near the Iraqi port of Umm Qsar. (David Cheskin)

Roger Federer kisses the trophy following his victory over Mark Philippoussis in the men's final at the *All England Lawn Tennis Championships, Wimbledon*. (Rebecca Naden)

Gale force winds and stormy seas at Tynemouth as the North Sea ferry Queen of Scandinavia arrives to dock. (Owen Humphreys)

Conservative Party leader Michael Howard holds a pint at the Kings Head in Hythe. (Tim Ockenden)

## Inside back cover

Martin Johnson lifts the Webb Ellis trophy after beating Australia in the Rugby World Cup Final in Sydney. (David Davies)

The Press Association Limited  
292 Vauxhall Bridge Road  
London SW1V 1AE  
Company registered no. London 4197

**T** +44(0)20 7963 7000  
**F** +44(0)20 7963 7090  
**W** [www.pa.press.net](http://www.pa.press.net)  
**E** [information@pa.press.net](mailto:information@pa.press.net)

The Press Association Limited  
Bridgegate  
Howden  
DN14 7AE

**T** +44(0)870 120 3200  
**F** +44(0)870 120 3201  
**W** [www.pa.press.net](http://www.pa.press.net)  
**E** [information@pa.press.net](mailto:information@pa.press.net)