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PRESS ASSOCIATION

PA Group Limited Annual Report 2008

1/5/09
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FINANCIAL HIGHLIGHTS AND KEY EVENTS

- Total turnover up 7.1% to £102.2m

- Total EBITDA up 20.8% to £8.8m
  (before exceptional items)

- Celebrated 140th anniversary in November 2008

- Role as the UK's multimedia agency strengthened with further investment in video gathering and multi-skilling

- Record levels of coverage from the Beijing Olympic Games positions us well for London 2012

- Further expansion of weather business, cementing our position as Europe's leading independent weather information provider

- Strategic review of sport business completed, resulting in disposal of loss making US business in March 2009 and retention of remaining UK and international business

- Press Association Trust created

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CHAIRMAN'S STATEMENT

OVERVIEW

Encouraging progress was made across the group during 2008, in spite of increasingly tough trading conditions. We took steps to ensure we operated as cost effectively as possible and continue to see substantial development in digital markets. Our European weather forecasting business MeteoGroup has continued to see good growth and we completed the review of the PA Sport business.

In January 2009, the Board took the view that reverting to the appointment of a Non-Executive Chairman would allow the executive team to concentrate on the future growth and development of PA Group. Paul Potts had combined the roles of Chairman and Chief Executive since Sir Harry Roche's retirement as Non-Executive Chairman in May 2008 and I would like to thank him for his leadership of the Board during that period.

Since taking up the role, my early impressions are very positive. There is a genuinely capable management team in place with the enthusiasm and motivation to face the challenges of the marketplace. I believe that they have the ideas and creativity to move the business forward.

ACQUISITIONS, INVESTMENTS AND DISPOSALS

We made a number of investments during 2008. On 1 August, the group acquired a 50% shareholding in Abaca US Inc, a New York-based celebrity and entertainment picture agency. This will significantly increase our ability to sell photography into the US market and enhance the capacity to gather US content for international syndication.

We completed the acquisition of a further 50% shareholding in our training business The Editorial Centre and our broadcast PR consultancy Television News Release ("TNR"). This takes the shareholding in both businesses to 100%.

We also acquired an additional 5.1% of Meteo Consult BV, taking PA Group's interest in the European weather forecaster to 89.8%. Since acquisition in 2005, the MeteoGroup business has gone from strength to strength as a key provider of essential operational weather tools to industry. In 2008 the business increased revenue by 27% in sterling terms to £18.2million, in part as a result of our recent expansion into Sweden, Italy and France. Whilst we expect these new activities to contribute to profits in the near future, the start-up costs and early performance held back profit growth.

In early 2009 we concluded the sale of our North American business PA SportsTicker to Chicago-based sports information company STATS' LLC. The deal brought with it wider strategic benefits, with PA Sport becoming STATS exclusive distributor in the UK and Ireland and the two businesses committed to seeking ways of working together around the world.

RESULTS AND DIVIDEND

Despite operating in a difficult trading environment, the Group has increased turnover from continuing activities by £6.5million to £85.6million (2007: £79.1million). There was an 11% increase in operating profit from continuing activities (before exceptional items and goodwill amortisation) rising from £6.5million in 2007 to £7.2million.

As reported in the 2007 accounts, we carried out a strategic review of the options for PA Sport during the first half of the year. Having considered the various proposals for sale or outside investment, the Board concluded that they did not meet the criteria set out at the beginning of the process and that we should retain ownership of the business.

Since the conclusion of this process, we carried out an impairment review which has resulted in non-cash writedowns of goodwill and assets associated with the sport business of £8.8million. The cost of the strategic review and of restructuring the sport business of £1.6million is disclosed in the results as an exceptional item.

As a result, the company has recorded a loss before tax for the period of £8.0million.Therefore the Board proposes not to pay a dividend for 2008.

During the year, the group moved its banking services to Lloyds TSB. The new arrangement provides medium-term loan facilities to replace short-term loan facilities at a level appropriate to future requirements.

In December 2008, the trustees of the group's defined benefit pension scheme completed a "pensions buy-in" in respect of all pensions in payment, converting a substantial proportion of the scheme's equity and bond investments into an annuity policy. This policy will provide guaranteed income which will fund all future pension payments to the existing pensioner members of the scheme. This is of significant benefit to the group as it reduces the longer-term investment and longevity risks of the scheme.

STRATEGY

Alongside the refocusing of sport and growth in weather, we have made good progress in other key strategic areas. These are covered more fully in the Chief Executive's report but I would particularly like to point out a few highlights.

We have continued to adhere to the core agency principles of collecting once and distributing to numerous platforms in many different formats. I am pleased to report that the continued investment in video gathering and production and growth of multimedia services has led to an increase in new digital customers. Our focus is now firmly on achieving stronger revenue growth in these areas.

The Press Association's traditional newspaper customers are currently facing a very challenging marketplace. We are listening to their needs during this time and focusing on ways of helping them, particularly through the provision of outsourcing services, in part benefiting from our growing operations in India.

PRESS ASSOCIATION TRUST

I am delighted that this year's annual report carries the first review from the newly-formed Press Association Trust. The trust was set up to review the Group's adherence to its principles of editorial independence. The trustees, John Bryant, Phil Harding and Peter Cole, have now been in post for a year and I would like to thank them for their valuable contribution. Their assessment of the agency's emphasis on fast, fair and accurate reporting and the recognition that we place these principles at the heart of what we do is a welcome endorsement of all that the company strives to achieve.

CHAIRMAN'S STATEMENT

BOARD MEMBERSHIP

Paul Potts has confirmed to the Board his intention to stand down as Chief Executive in January 2010 when he reaches 60. Paul has served on the PA Group Board since 1995 as Editor-in-Chief and from 2000 as Chief Executive. During his tenure he has strengthened the position of the Press Association as the UK's national news agency and overseen the creation of a successful multimedia business with operations across the world. It is particularly fitting that Paul's tremendous contribution to PA Group and services to journalism was recognised in the recent New Year Honours with the richly deserved award of a CBE. I would like to express the gratitude of the Board and executive team for his outstanding work and leadership during this time. The search for his successor will be conducted during the year.

As mentioned above, Sir Harry Roche retired as Non-Executive Chairman in May 2008 after 59 years in the industry and 13 years of distinguished service as our Chairman for which the Board expresses its sincere appreciation. Nick Teunon left the Board in January 2008 and Chris Buckley stood down in June following the strategic review of the sport business.

In addition, Non-Executive Director Charles Gregson retired from the Board at the end of 2008 after seven years' service. I would like to extend my thanks to Charles for his significant support.

OUTLOOK

We expect 2009 to be an exceedingly difficult year, particularly for our key traditional customers. We have made a reasonable start, but there will undoubtedly be many challenges ahead.

However I believe that the management is being proactive in addressing the future shape of the business, having already reviewed its cost base and focused on developing products and services suitable for the current requirements of the marketplace.

Finally I would like to thank the Board for their support and the staff for their contribution and commitment during 2008.

Tim Bowdler
Chairman

GROUP CHIEF EXECUTIVE'S STATEMENT

OVERVIEW

In November we marked the 140th anniversary of the Press Association and celebrated a proud history of quality journalism and service to the media industry.

In 1868 the agency was created by visionary publishers to address the demands of the emerging newspaper industry which was using the exciting technology of the time to drive a news and information revolution to all corners of the country.

While not formally called Print Britain, it was the 19th century forerunner of today's Digital Britain where the march of technology is presenting fresh opportunities to satisfy a content-hungry audience.

To ensure we remain as relevant to this new digital world as we are to the print world, the Press Association is well down the road of probably the greatest period of change in its history.

This has meant a radical overhaul of all that we do, a significant investment in new products, particularly video, extensive re-training and the creation of a truly integrated multimedia national news service.

I am pleased to report the year saw further significant progress in our agenda for change and crucially it is being achieved without compromise to our core values of fast, fair, accurate reporting.

I am extremely proud of the Press Association's contribution to quality journalism. Every year the wire service delivers a million news stories and 120,000 pictures to customers. We have recently increased our video production to 25 packages on the major stories each day.

We are also playing an important role in training the journalists of the future. In the last 15 years we have recruited and trained more than 200 graduates, many of whom now hold senior positions in the Press Association or the wider industry.

I was honoured to receive a CBE in the New Year's Honours list for services to journalism and believe this was in recognition of the Press Association's editorial mission and the central role that the agency plays in the media industry.

I would like to pay tribute to all our staff who make this remarkable operation work day in day out, week in week out, year in year out, never stopping.

PRESS ASSOCIATION - A MULTIMEDIA NEWS AGENCY

Throughout 2008 we continued to pursue a strategy of investing in multimedia and diversification, with the aim of growing revenues outside our traditional newspaper customer base and embracing the digital era of news reporting.

It was the year when our video operation began to be recognised as a serious player in the market. As a result of our programme of investment and multi-skilling, we increased the volume of video output by 300 per cent between January and December.

The quality and breadth of our content helped us to win several major contracts in the online video sector, while broadcasters increasingly see the value of using the Press Association's footage to supplement their own newsgathering operations.

As the Government and regulators wrestle with the challenges of ensuring plurality of provision in regional news programming, the Press Association is establishing itself as a central organisation which can serve the requirements of both broadcasters and local newspapers for non-exclusive and diary-based video.

We have continued to maintain our position at the forefront of digital news provision. Our online services have expanded to include hosted news sites and event microsites and an increased output of Flash graphics. We made further improvements to our online offerings for TV and "what's on" listings with new functionality and enhanced content. Constantly innovating, our digital development team are currently working on data mining, semantic mark-up, geocoding, news visualisation and multi-platform authoring.

Whilst there have been many exciting developments, our core coverage of all the year's big stories is still the foundation on which the business is built. Our City desk rose to the challenge of explaining the complexities of the Credit Crunch and its impact on the global economy. Our New York-based reporter helped us shape our coverage of the historic US Presidential election and the strength of our international operation was also illustrated when staff working in India provided coverage of the terror attacks in Mumbai.

There are not many sterner tests of our capabilities than the Olympic Games and one of the highlights of the year was our work in Beijing.

A team of 27, including sports journalists, photographers, editors and video journalists in Beijing, Hong Kong and Qingdao provided co-ordinated coverage in words, pictures, video and data.

We set new records for the scale of content produced at an Olympic Games. In total there were 23,000 wire messages, involving 7,500 stories and 15,700 items of data, including daily schedules, start lists, medals tables and results.

Our photographers, supported 24 hours a day by staff in Nottingham and Mangalore, shot, edited and captioned 6,000 pictures and delivered 2,100 to wire subscribers, compared to 1,200 from Athens (2004) and 500 from Sydney (2000). Using our real-time image transmission technology, ShootLive, and our digital distribution system, these pictures were available to customers within minutes.

The Press Association service from the games won praise from customers, government and the British Olympic Association and we are now actively planning our service for London 2012.

To mark the 140th anniversary of the company we held a photography exhibition in St Pancras Station highlighting some of the iconic images held in the photo archive. Containing 10 million images dating back to 1863, the archive is a unique record of life and events throughout this period. Working with Ammonite Press, we published a series of books *Twentieth Century in Pictures*, ten books featuring 350 photos from each decade of the last century and five books on sports photography. More than 7,000 copies have been sold to date.

A new picture service providing coverage of the Investiture ceremonies at Buckingham Palace and Windsor Castle has been launched. Using ShootLive technology and remotely-operated cameras, pictures are taken of every recipient.

In August we acquired a 50% stake in New York-based photo agency Abaca US Inc, specialising in celebrity and showbiz content. This increases the range and depth of US showbiz photography for our UK and international customers.

We have also enhanced our entertainment news packages and overhauled our features service to ensure it is meeting customer requirements.

Our page production services are another core area that remains central to the Press Association's offering. We now create 9,000 pages a week on behalf of more than 220 newspapers and magazines worldwide. Cementing our position as the world's largest provider of outsourced editorial page production, new contracts won during the year included bespoke publications for regional newspapers and a range of real-life and lifestyle magazines for a major publisher.

The migration of more production work to our Indian operations has been crucial in reducing costs and preserving margin. Our staff in India make an increasingly important contribution to the success of the company and are integral to our future plans.

In addition to the contribution we are making though training our own staff, the Press Association also plays a vital role in providing journalists throughout the industry with skills for the future through our commercial training business. Press Association Training has equipped more than 500 print journalists from regional and national newspaper companies in the UK and Ireland with digital and video skills over the past three years. Our Newcastle-based foundation course was recognised by the National Council for the Training of Journalists (NCTJ) as the best of its type in its first ever league tables – a great acknowledgment of the quality offered by the scheme.

PR SERVICES AND BUSINESS INFORMATION

The acquisition of the remaining 50% of communications consultancy TNR has significantly bolstered our offering to the PR industry – another significant area of diversification.

TNR's highlights for the year included a sizeable project for the National Lottery Good Causes and further development of a close working relationship with Guinness World Records. Our PR photography service also continued to grow its customer base with eye-catching spreads for Royal Mint, Royal Mail and Lego.

This was accompanied by a strong effort in core sales of our news monitoring tool Mediapoint, a substantial source of revenue, and growth in our tailored news feed service which supplies bespoke content feeds to non-media websites.

The specialist finance publications enjoyed encouraging growth, despite a considerable chunk of their market being in the beleaguered banking sector, and we grew our reputation in specialist conferences, jointly hosting well-received events on telecoms, satellite and media finance, and media law.

STRATEGIC REVIEW OF SPORT BUSINESS

In March 2009, we sold North American sports data business PA SportsTicker to Chicago-based STATS LLC. The sale concluded a process that began in the final quarter of 2007 when the Board agreed to review the strategy for Sport. The agreement sees Press Association Sport becoming STATS' exclusive distributor in the UK and paves the way for both businesses to work together in other parts of the world, creating a compelling alliance in the provision of sports content.

Such a positive development followed a tough year for Sport. The strategic review led to a number of offers being made for the business in the first half of the year, but they failed to meet expectations and consequently in June the Board took the decision to retain the Sport business within the Group.

An impairment review of the goodwill from the sports business acquisitions made in recent years has resulted in the writedown referred to in the Chairman's statement.

The inevitable distraction presented by the strategic review created a loss of business momentum, which impacted negatively on full-year results. A package of measures taken in the second half of the year, under the new Managing Director Ian Campbell, resulted in an improved performance towards the end of the year and an encouraging start to 2009.

BRANDING

On the day of our anniversary we launched a new Press Association brand to reflect the company's position as an innovative, digital, news and information provider.

And once Sport and Photos come under the new brand in 2009, the Press Association's services will be united by one clear identity, making it easier for customers to understand the scope of the business as a one-stop shop for multimedia content. Due to the particular characteristics of the marketplace, the PA Sport name will be retained in Asia and South Africa.

The new corporate website, pressassociation.com, is a terrific showcase for our wide range of services and we are already starting to see the benefits.

However, this is more than just a branding exercise. We are aiming to build upon our excellent reputation and this is underpinned by the range and quality of all that we do.

METEOGROUP

MeteoGroup, which operates across Europe, is now, by a significant margin, the region's largest independent weather forecasting business. The division showed very good growth with revenues and profit ahead of 2007. 81% of these revenues came from outside the UK.

We continued our focus on diversification, moving away from dependency on media markets towards a broader customer base. Media and consumer revenues made up 32% of our total turnover compared to 36% in 2007.

In the key corporate and industrial sectors we saw encouraging year-on-year growth. We have increased our sales teams across the business and extended activities in Italy and France.

In our core Roads market we saw many positive developments, particularly in new territories. Revenues in France were almost double the previous year and in Spain we won a significant contract for the Spanish motorway network. More than 20 cities in Sweden have now subscribed to our roads service in its first year of operation.

The Graphics division in Berlin continued to produce innovative new products. Although revenues were below budget in the broadcast market, some of this was offset by the successful launch of our iPhone application, WeatherPro, which was downloaded by 28,000 users in its first two months.

Quality remains a top priority for the business and one of our targets was to commence the roll-out of ISO across the Group. Already ISO-certified in the Netherlands, we were awarded ISO 9001:2000 for our UK operation in April and work is now under way at our German office.

CNW GROUP

CNW Group has started 2009 in good order, building on diversified growth in many areas of the business and helping to set the stage for the challenges ahead.

The company has introduced a new management structure with Tom Enright standing down as President and CEO after 14 years. Carolyn McGill-Davidson, who joined the company in 1999, succeeded Tom on 1 September.

I would like to thank Tom for his tremendous success in developing CNW Group and am delighted that he will continue to offer guidance and support in his new role as Deputy Chairman.

Other strategic milestones were a significant improvement in market share, the launch of a highly successful Social Media Release product, a record year for the broadcast division, and strong performance for the media monitoring service.

The company's investment in technology, which began in 2004, has dramatically improved performance. Average turnaround time for news release processing improved by 32 per cent. This led to greater customer satisfaction as measured by regular surveys.

The focus for the year ahead will be on technology and people. CNW intends to position itself as a leader in online news environments. Ensuring the company has the right people in place will be a critical part of the strategy. The rapid expansion of social media and web-based journalism in Canada will provide CNW with further growth opportunities.

PERFORMANCE AND OUTLOOK

Despite the difficult economic outlook, we made significant progress during 2008 with encouraging growth in key areas and an 8% increase in group turnover from continuing activities to £85.6 million.

The current economic situation and the pressure on our core traditional markets will make 2009 a particularly challenging year. We will continue to pursue our strategy of diversifying the customer base and focusing business and product development on the growing digital market. I believe we are in good shape to meet the challenges posed and have confidence that we can emerge as a stronger business.

CONCLUSION

This will be my last report as PA Group Chief Executive as I have confirmed to the Board my decision to retire on my 60th birthday in January 2010 after almost 15 years with the company.

It has been the most incredible honour and privilege to lead the company, first as Editor-in-Chief and then Chief Executive. I would like to thank the Board for giving me this wonderful opportunity and for supporting me 100 per cent all the way.

In particular, I would like to thank our recently retired Chairman Sir Harry Roche for his wisdom, encouragement and shared commitment to all things Press Association.

I would also like to wish Tim Bowdler every success in his role as our new Chairman and I am confident he will lead the team forward towards new opportunities.

I am also pleased that since I joined the company in 1995 we have returned some £130 million in dividends to our tremendously supportive shareholders. During this time the company has virtually tripled in size and now employs more than 1,500 staff across the UK, North America, Europe, Asia and South Africa.

Our activities embrace page production, web ready products, weather forecasting, database management, sports information and much more – all under the broad umbrella of information supply.

Not everything has worked but I like to think the ups have beaten the downs and on balance the company has made sound progress.

Above all, I want to pay tribute to our staff and thank them for being a quite remarkable bunch. No matter how difficult or demanding life can get, they always dig deep and deliver. I believe firmly that they are driven by the Press Association values of integrity and editorial purpose which bind this company and make it so special.

It has been a very humbling experience to work with so many skilled people from many and varied backgrounds, all of whom stand by their principles and all of whom believe passionately in the role played by trusted information and first class journalism in our democracy.

Thank you.

Paul Potts
Group Chief Executive

PRESS ASSOCIATION TRUST'S STATEMENT

The Press Association Trust was set up in February 2008 to ensure that the news agency's objectives of fast, fair and accurate reporting are not compromised.

In recent years the activities of PA Group, owners of the Press Association, have continued to diversify into commercial markets and the Trust has been created as an additional safeguard for the agency's editorial independence. The Trust will produce an annual report on the Press Association's adherence to its principles and will be available to investigate and examine any related concerns.

The Trustees are John Bryant (Chairman), Peter Cole and Philip Harding.

John Bryant has forty years experience in the newspaper industry. He began his career at the Edinburgh Evening News and went on to hold senior executive roles at the Daily Mail and to be Deputy Editor of the Times as well as holding editorships at the Sunday Correspondent and the European and becoming Editor in Chief of Telegraph Newspapers.

Philip Harding has held a variety of senior editorial jobs in BBC radio and television including Director of English Networks and News at the BBC World Service, Controller of Editorial Policy, Chief Political Advisor and Editor of the Today programme. He is a Fellow of the Society of Editors.

Professor Peter Cole is Director of Journalism at the University of Sheffield. He started his career on the London Evening News, was News Editor and then Deputy Editor of the Guardian, Editor of the Sunday Correspondent and News Review Editor at the Sunday Times. He is on the Board of the Society of Editors and chairs its training committee.

With the commitment to fast, fair and accurate news, the Trustees noted that on the rare occasions when the agency falls short of these objectives it moves swiftly to put in place procedures to prevent a recurrence.

For instance, there was considerable concern when it was discovered that pictures had been digitally manipulated against the clearly stated rules of the agency. A photographer had "tidied up" images of Gordon Brown, removing an individual in the frame. It was clearly against the Press Association's own internal rules. The incident led to disciplinary action and the reiteration of the agency's guidelines of what is permitted when processing pictures.

Such an instance is a constant reminder that a fast-moving editorial environment requires constant vigilance to maintain the quality of the output, together with good training and regular reminders of what is expected of staff and current best practice. The Trustees were impressed by the willingness of the Press Association to make fast corrections on the occasions when they do get something wrong.

In addition to providing coverage of the daily news agenda, the Press Association plays a prominent and continuing role in campaigning on media freedom. The Press Association made 24 written submissions to courts and courts martial in 2008 and also advised reporters in, approximately, a further 20 cases, giving them guidance to assist its customers in challenging restrictive court orders.

The Press Association plays an active part on the Board of the Society of Editors, the Defence Press and Broadcasting Advisory Committee, the Media Emergencies Forum and the newspaper industry's Code of Practice committee.

There was some confident but highly speculative criticism of the Press Association in Nick Davies's book, published in 2008, *Flat Earth News*.

Davies, who incidentally had not visited the Press Association and relied on researchers for his material, made several significant errors in his book and generally created a damaging and highly misleading impression of the agency. Davies and his team of researchers made the factual error of confusing public relation-driven press releases - "churnalism" - with accurately reported news stories. He made the assertion that wire copy from the Press Association was "journalism without checking".

Press Gazette carried an article written by the Press Association editor rebutting Davies's allegations about the agency. Davies relied on researchers at Cardiff University for some of the data in his book and the university's school of journalism withdrew part of the report relating to the Press Association pending further checks.

One of the key speculations of this book was that modern news organisations lack the resources to do their job properly. Recognising the difficult economic conditions forecast for the year ahead, the Trustees will remain vigilant that such restrictions do not impact negatively on the Press Association's traditional high editorial standards or the agency's reporting power.

2008 has been a year of change as the main news wire re-defines itself for the era of multimedia. The old concept of the wire being simply a stream of words and pictures has been updated: the Press Association now tells stories more effectively using all the multimedia assets at its disposal. Words, pictures, video and graphics are combined to provide a storytelling package.

To achieve this, the Press Association is overhauling its editorial command structure, the equipment used and the training the staff receive. The Trustees have observed that the agency is doing this with considerable success. By definition the wire service has never had to wrestle with the deadlines that have been imposed on traditional print outlets, and so has adapted well to the concept of rolling deadlines.

One encouraging sign has been the growth of the agency's by-line on stories that can be sourced to the Press Association. At a time of credit crunch, when newspapers and other media outlets find that their staff are often over-stretched, stories sourced to the Press Association take on for readers and viewers an increased validity. The trustees believe the Press Association should make even stronger efforts to request customers to source agency copy.

This is a time of rapid and ever-accelerating change in the media industry, with the dangers, which many have commented on, of unsubstantiated or trivial media creeping into many areas of life (the so-called "dumbing down" effect). But overall, the Trustees feel that the primary objectives of the Press Association – with its emphasis on fair, fast and accurate reporting - have never been more important and are in good hands. It gives the Press Association a reputation that serves its customers well.

John Bryant
Chairman of the Press Association Trust

THE BOARD OF DIRECTORS

Tim Bowdler ★
Chairman
Nominations Committee
Remuneration Committee
Audit Committee
Joined the Board in 2001
Age: 61

Steven Brown
Group Managing Director
Appointed to the Board in 1996
Joined PA Group in 1995
Age: 55

Adrian Jeakings ★
Nominations Committee
Audit Committee
Joined the Board in 2009
Chief Executive, Archant Limited
Age: 50

Paul Potts
Group Chief Executive
Appointed to the Board and joined PA Group in 1995
Age: 59

Ian Campbell
Managing Director, PA Sport
Appointed to the Board in 2008
Joined PA Group in 2004
Age: 46

James Murdoch ★
Nominations Committee
Joined the Board in 2008
Chairman and Chief Executive, Europe and Asia, News Corporation Inc
Age: 37

Sly Bailey ★
Nominations Committee
Remuneration Committee
Joined the Board in 2003
Chief Executive, Trinity Mirror plc
Age: 47

Jennifer Campbell
Managing Director, MeteoGroup
Appointed to the Board in 2008
Joined PA Group in 1996
Age: 47

Tony Watson
Managing Director, Press Association
Appointed to the Board in 2007
Joined PA Group in 2003
Age: 53

Kevin Beatty ★
Nominations Committee
Remuneration Committee
Joined the Board in 2004
Managing Director, Associated Newspapers Limited
Age: 51

Alan Crosbie ★
Nominations Committee
Audit Committee
Joined the Board in 2001
Chairman, Examiner Publications (Cork) Limited
Age: 54

Key
★ Non-Executive Director

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 2008.

PRINCIPAL ACTIVITIES

The activities of the group remain principally those of providing information to the media and other customers.

The company's principal activity remains that of a holding company.

BUSINESS REVIEW

The group is required to set out in this report a fair review of the business during the financial year ended 31 December 2008. Further information regarding the group, including important events and its progress during the year and likely future developments is contained in the Financial Highlights, Chairman's statement and Group Chief Executive's statement on pages 1 to 6. The information that fulfils the requirements of the Business Review (as required by Section 234ZZB of the Companies Act 1985), which is incorporated in this Directors' report by reference can be found on the following pages of this annual report.

Development and performance during financial year – pages 2 to 6.

Position at year-end and – pages 2 to 6.

Operations – pages 4 to 6.

Risks and uncertainties – pages 2 to 6.

Whilst there are no formal key performance indicators in place, management focus on turnover and operating profit before goodwill amortisation and exceptional items.

RESULTS AND DIVIDEND

The loss for the financial year was £11,068,000 (2007: £737,000). Dividends approved in the period of £nil (2007: £1.3 million, 16.32 pence per share), were paid in the year. The resulting retained loss of £11,068,000 has been deducted from reserves (2007: £2,037,000).

CHARITABLE DONATIONS

During the year the group made charitable donations totalling £11,000 (2007: £25,000).

DIRECTORS

The following were Directors of the company during the period and up to the date of signing the financial statements:

- Mrs S Bailey
- Mr KJ Beatty
- Mr TJ Bowdler
- Mr SJ Brown
- Mr C Buckley (resigned 10 July 2008)
- Mr DI Campbell (appointed 22 May 2008)
- Mrs J Campbell (appointed 22 May 2008)
- Mr GA Crosbie
- Mr CH Gregson (resigned 31 December 2008)
- Mr AD Jeakings (appointed 18 March 2009)
- Mr JR Murdoch (appointed 13 March 2008)
- Mr PJ Potts
- Sir Harry Roche (resigned 22 May 2008)
- Mr NJ Teunon (resigned 11 January 2008)
- Mr AG Watson

EMPLOYEES

Under the group's general policy of decentralised management, it is the responsibility of the management in each division and 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.

POLICY AND PAYMENT OF CREDITORS

Terms of payment are agreed at the commencement of business and payments are made in accordance with those terms or other legal obligations. At 31 December 2008 the group had an average of 31 days (2007: 48 days) purchases outstanding in trade creditors.

CONTRACTS WITH CUSTOMERS

The nature of the share ownership of PA Group 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.

REPORT OF THE DIRECTORS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 to 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.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS

As far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

By order of the Board.

M. Louise Cole.

Louise Cole
Company Secretary
9 April 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PA GROUP LIMITED

We have audited the group and parent company financial statements (the "financial statements") of PA Group Limited for the year ended 31 December 2008 which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group balance sheet, the company balance sheet, the group cash flow statement, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 into 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 Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement, the Group Chief Executive's statement, the Press Association Trust's statement and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2008 and of the group's loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
9 April 2009

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2008

	Notes	2008 Acquisitions £000	2008 Continuing £000	2008 Total Continuing £000	2008 Discontinued £000	2008 Total £000
Turnover: group and share of joint ventures	1	1,115	98,098	99,213	2,971	102,184
Less: share of joint ventures' turnover		(197)	(13,390)	(13,587)	-	(13,587)
Group turnover	1	918	84,708	85,626	2,971	88,597
Other operating income		5	274	279	-	279
		923	84,982	85,905	2,971	88,876
Staff costs	4	(324)	(51,968)	(52,292)	(2,969)	(55,261)
Depreciation and amortisation		(149)	(8,699)	(8,848)	(4,215)	(13,063)
Other operating charges		(425)	(27,482)	(27,907)	(2,906)	(30,813)
Operating profit/(loss)	1,2	25	(3,167)	(3,142)	(7,119)	(10,261)
Share of operating (loss)/profit in joint ventures and associates	6	(4)	2,016	2,012	-	2,012
Total operating profit/(loss) (including joint ventures and associates) before goodwill amortisation and exceptional items		161	7,016	7,177	(2,689)	4,488
Goodwill amortisation		(140)	(2,077)	(2,217)	(90)	(2,307)
Exceptional items	3	-	(6,090)	(6,090)	(4,340)	(10,430)
Total operating profit/(loss) (including joint ventures and associates)	1	21	(1,151)	(1,130)	(7,119)	(8,249)
Group interest receivable	7					1,154
Other group finance costs payable	7					(946)
Share of joint ventures' interest receivable	7					16
Share of associates' interest payable	7					(20)
Loss on ordinary activities before tax						(8,045)
Tax charge on loss on ordinary activities	8					(2,627)
Loss on ordinary activities after tax						(10,672)
Equity minority interest						(396)
Loss for the financial year	22,23					(11,068)

There is no material difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

The results of PA SportsTicker Inc have been disclosed as discontinued operations due to the disposal of this business within three months of the year end (note 31).

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2007

	Notes	2007 Continuing £000	2007 Discontinued £000	2007 Total £000
Turnover: group and share of joint ventures	1	93,049	2,386	95,435
Less: share of joint ventures' turnover		(13,975)	-	(13,975)
Group turnover	1	79,074	2,386	81,460
Other operating income		467	-	467
		79,541	2,386	81,927
Staff costs	4	(48,049)	(2,716)	(50,765)
Depreciation and amortisation		(5,317)	(334)	(5,651)
Other operating charges		(25,779)	(2,447)	(28,226)
Operating profit/(loss)	1,2	396	(3,111)	(2,715)
Share of operating profit in joint ventures and associates	6	4,074	-	4,074
Total operating profit/(loss) (including joint ventures and associates) before goodwill amortisation and exceptional items		6,459	(3,027)	3,432
Goodwill amortisation		(1,989)	(84)	(2,073)
Exceptional items		-	-	-
Total operating profit/(loss) (including joint ventures and associates)	1	4,470	(3,111)	1,359
Group interest receivable	7			1,863
Other group finance costs payable	7			(718)
Share of joint ventures' interest receivable	7			19
Share of associates' interest payable	7			(19)
Profit on ordinary activities before tax				2,504
Tax charge on profit on ordinary activities	8			(2,884)
Loss on ordinary activities after tax				(380)
Equity minority interest				(357)
Loss for the financial year	23			(737)

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December

	Notes	2008 £000	2007 £000
(Loss)/profit for the financial year:			
Group		(11,629)	(3,369)
Share of retained profit in joint ventures and associates		561	2,632
	23	(11,068)	(737)
Currency translation gain on investment in joint ventures and associates	12	465	476
Currency translation (loss)/gain on subsidiaries		(20)	32
Actuarial (loss)/gain recognised in the pension scheme	29	(8,700)	2,800
Actuarial loss recognised in the pension scheme of joint venture (net of deferred tax)		(288)	(57)
Movement in deferred tax relating to pension scheme		2,436	(814)
Total recognised (losses)/gains relating to the year		(17,175)	1,700

GROUP BALANCE SHEET

as at 31 December

	Notes	2008 £000	2008 £000	2007 £000	2007 £000
Fixed assets					
Intangible assets	10		19,481		24,000
Tangible assets	11		25,044		25,338
Investments					
Share of joint ventures' gross assets		5,355		5,243	
Share of joint ventures' gross liabilities		(2,437)		(2,178)	
Investment in joint ventures		2,918		3,065	
Investment in associates		189		2,037	
	12		3,107		5,102
			47,632		54,440
Current assets					
Stocks			4		12
Debtors	14		15,552		13,673
Short term deposits			-		202
Cash			3,175		1,292
			18,731		15,179
Creditors: amounts falling due within one year	15		(21,264)		(19,614)
Net current liabilities			(2,533)		(4,435)
Total assets less current liabilities			45,099		50,005
Creditors: amounts falling due after more than one year	16		(13,693)		(5,557)
Provisions for liabilities and charges	20		(2,497)		(3,757)
Net assets excluding pension (liability)/asset			28,909		40,691
Pension (liability)/asset	29		(1,186)		4,011
Net assets including pension (liability)/asset			27,723		44,702
Capital and reserves					
Called up equity share capital	21		7,965		7,965
Profit and loss account	22		19,283		36,458
Total shareholders' funds	23		27,248		44,423
Equity minority interest			475		279
Capital employed			27,723		44,702

These financial statements were approved by the Board on 9 April 2009.

P. J. Potts

Paul Potts
Group Chief Executive

COMPANY BALANCE SHEET

as at 31 December

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	11	13,219	13,509
Investments	13	84,071	84,071
		97,290	97,580
Current assets			
Debtors	14	8,787	10,551
Cash		29	-
		8,816	10,551
Creditors: amounts falling due within one year	15	(3,737)	(21,507)
Net current assets/(liabilities)		5,079	(10,956)
Total assets less current liabilities		102,369	86,624
Creditors: amounts falling due after more than one year	16	(13,693)	(5,556)
Provisions for liabilities and charges	20	(282)	(182)
Net assets		88,394	80,886
Capital and reserves			
Called up share capital	21	7,965	7,965
Profit and loss account	22	80,429	72,921
Total shareholders' funds	23	88,394	80,886

These financial statements were approved by the Board on 9 April 2009.

Paul Potts
Group Chief Executive

P. J. Potts

GROUP CASH FLOW STATEMENT

for the year ended 31 December

	Notes	2008 £000	2007 £000
Net cash inflow from operating activities	25	2,572	2,964
Dividends received from joint ventures		2,535	2,758
Return on investment and servicing of finance	26	(1,071)	(767)
Tax paid		(1,341)	(1,335)
		2,695	3,620
Capital expenditure			
Payments to acquire tangible fixed assets	11	(5,216)	(4,364)
Purchase of trademarks	10	(11)	(9)
		(5,227)	(4,373)
Acquisitions and disposals			
Purchase of joint venture	12	(323)	-
Payment of deferred consideration	20	(541)	-
Purchase of subsidiaries	28	(2,749)	(74)
Cash acquired with subsidiaries		161	-
Receipt in respect of loan to joint venture	12	-	50
		(3,452)	(24)
Equity dividends paid	9	-	(1,300)
Net cash outflow before use of liquid resources and financing		(5,984)	(2,077)
Management of liquid resources			
Decrease in short term deposits	27	202	748
Financing	27		
New bank loan		13,886	-
Loan repayments		(4,916)	(1,156)
Capital element of finance lease payment		(315)	(301)
		8,655	(1,457)
Increase/(decrease) in cash	27	2,873	(2,786)
Reconciliation of net cash flow to movement in net debt	27		
Net debt at 1 January		(8,328)	(6,251)
Increase/(decrease) in cash		2,873	(2,786)
Decrease in short term deposits		(202)	(748)
(Increase)/decrease in borrowings		(8,655)	1,457
Net debt at 31 December		(14,312)	(8,328)

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act and applicable United Kingdom accounting standards. A summary of the more important group accounting policies is set out below.

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 PA Group Limited as provided by Section 230 of the Companies Act 1985. All acquisitions are accounted for using acquisition accounting rules. The results of acquisitions are included in the consolidated profit and loss account from the day on which the subsidiary, joint venture, or associate is acquired.

TURNOVER

Turnover comprises the net amount receivable in respect of the sale of news, other information and media services. Revenue is recognised in the profit and loss account as services are provided to customers.

INTEREST

Interest is recognised in the profit and loss account on an accruals basis.

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 of acquisition less accumulated 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 office equipment	14% - 50%

Freehold land is not depreciated.

INVESTMENTS

a) Subsidiaries
Subsidiaries comprise of investments in undertakings where the group holds a shareholding of over 50% and has overall control of the commercial and financial policy of the entity.

The results of subsidiaries are fully consolidated within each category of the consolidated profit and loss account with adjustments made to eliminate inter-group transactions. The proportion of subsidiaries results which are attributable to minority interests are disclosed separately. The assets and liabilities of subsidiaries are fully consolidated within each category of the consolidated balance sheet with adjustments made to eliminate inter-group balances. The proportion of subsidiaries net assets which are attributable to minority interests are disclosed separately. 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.

In the company balance sheet, investments in directly held subsidiaries are carried at cost and are subject to impairment testing upon indication that the carrying amount may not be recoverable.

b) Joint ventures
Joint ventures comprise of 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 ventures under a contractual arrangement. The group share of the results of its investment in joint ventures is included in the consolidated profit and loss account. In the consolidated balance sheet the investment in joint ventures is included as the group share of the net assets of the ventures 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.

c) Associates
Associates comprise of 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 results of its investment in associates is included in the consolidated profit and loss account. In the consolidated balance sheet the investment in the associates is included as the group share of the net assets of the associates 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.

ACCOUNTING POLICIES

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 either 10 or 20 years, based upon their assessment of durability of the underlying business. 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 circumstance indicate that the carrying value may not be recovered.

PROVISIONS

Provisions are made immediately where a constructive or legal obligation is identified, can be quantified and it is regarded as more likely than not that an outflow of resources will be required to settle the obligation. The group does consider the impact of discounting when establishing provisions and provisions are discounted when the impact is material and the timing of cash flows can be estimated with reasonable certainty.

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 and subsidiaries 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 amounts charged to operating profit, as part of staff costs, are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability, net of related deferred taxation, is presented separately after other net assets on the face of the balance sheet.

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are capitalised and depreciated over the shorter of the lease term or the useful economic life. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases on the effective interest method. All other leases are classified as operating leases and rentals are charged on a straight-line basis over the lease term.

DIVIDENDS

Dividends are recognised in the profit and loss account in the period in which they are paid.

PHANTOM SHARE SCHEME

A phantom share option scheme is in operation for senior executives, with options being granted over a defined vesting period, settled in cash. The amount payable is calculated by reference to the change in value of the group. A provision is recorded based on amounts payable at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

1 SEGMENTAL REPORTING

	2008 Acquisitions £000	2008 Continuing £000	2008 Total Continuing £000	2008 Discontinued £000	2008 Total £000
GEOGRAPHICAL ANALYSIS					
Turnover including joint ventures					
United Kingdom:					
- Group	839	59,984	60,823	-	60,823
- Joint ventures	-	-	-	-	-
Continental Europe (Group)	77	20,098	20,175	-	20,175
Rest of World:					
- Group	2	4,626	4,628	2,971	7,599
- Joint ventures	197	13,390	13,587	-	13,587
Total	1,115	98,098	99,213	2,971	102,184
Group	918	84,708	85,626	2,971	88,597
Joint ventures	197	13,390	13,587	-	13,587
Total	1,115	98,098	99,213	2,971	102,184
Operating profit/(loss) including joint ventures and associates					
United Kingdom:					
- Group	23	(5,494)	(5,471)	-	(5,471)
- Joint ventures and associate	-	-	-	-	-
Continental Europe (Group)	2	2,685	2,687	-	2,687
Rest of World:					
- Group	-	(358)	(358)	(7,119)	(7,477)
- Joint ventures and associates	(4)	2,016	2,012	-	2,012
Total	21	(1,151)	(1,130)	(7,119)	(8,249)
Group	25	(3,167)	(3,142)	(7,119)	(10,261)
Joint ventures and associates	(4)	2,016	2,012	-	2,012
Total	21	(1,151)	(1,130)	(7,119)	(8,249)

NOTES TO THE FINANCIAL STATEMENTS

1 SEGMENTAL REPORTING (CONTINUED)

	2007 Continuing £000	2007 Discontinued £000	2007 Total £000
GEOGRAPHICAL ANALYSIS			
Turnover including joint ventures			
United Kingdom:			
- Group	59,862	-	59,862
- Joint ventures	1,028	-	1,028
Continental Europe (Group)	15,953	-	15,953
Rest of World:			
- Group	3,259	2,386	5,645
- Joint ventures	12,947	-	12,947
Total	93,049	2,386	95,435
Group	79,074	2,386	81,460
Joint ventures	13,975	-	13,975
Total	93,049	2,386	95,435
Operating profit/(loss) including joint ventures and associates			
United Kingdom:			
- Group	(2,334)	-	(2,334)
- Joint ventures	175	-	175
Continental Europe (Group)	2,387	-	2,387
Rest of World:			
- Group	343	(3,111)	(2,768)
- Joint ventures and associates	3,899	-	3,899
Total	4,470	(3,111)	1,359
Group	396	(3,111)	(2,715)
Joint ventures and associates	4,074	-	4,074
Total	4,470	(3,111)	1,359

The geographical analysis is based on the country in which the customer is located. It would not be materially different if it was based in the country in which the order was received.

NOTES TO THE FINANCIAL STATEMENTS

1 SEGMENTAL REPORTING (CONTINUED)

	2008 Acquisitions £000	2008 Continuing £000	2008 Total Continuing £000	2008 Discontinued £000	2008 Total £000
BUSINESS ANALYSIS					
Turnover including joint ventures					
Agency	-	17,468	17,468	-	17,468
Enterprises	1,115	80,630	81,745	2,971	84,716
Total	1,115	98,098	99,213	2,971	102,184
Operating profit/(loss) including joint ventures and associates					
Agency	-	(604)	(604)	-	(604)
Enterprises	21	(547)	(526)	(7,119)	(7,645)
Total	21	(1,151)	(1,130)	(7,119)	(8,249)

	2007 Continuing £000	2007 Discontinued £000	2007 Total £000
BUSINESS ANALYSIS			
Turnover including joint ventures			
Agency	17,448	-	17,448
Enterprises	75,601	2,386	77,987
Total	93,049	2,386	95,435
Operating profit/(loss) including joint ventures and associates			
Agency	(400)	-	(400)
Enterprises	4,870	(3,111)	1,759
Total	4,470	(3,111)	1,359

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 cover the other products and bespoke services including sport, entertainment, PR services, business information, images and MeteoGroup and includes the joint ventures and associate.

Details of net assets by geographical location and business segment have not been disclosed as the structure of the group makes providing such information meaningless.

2 OPERATING PROFIT/(LOSS)

	2008 Total £000	2007 Total £000
Operating profit is stated after charging/(crediting):		
Operating lease rentals:		
- land and buildings	1,022	1,040
- motor vehicles and other equipment	489	473
Amortisation of goodwill (note 10)	2,089	1,827
Amortisation of trademarks (note 10)	5	8
Depreciation (note 11)	4,265	3,816
Property income	(238)	(441)

Amortisation of goodwill of £2,089,000 (2007: £1,827,000) relates to subsidiary undertakings. Goodwill amortisation in respect of joint ventures and associate amounts to £218,000 (2007: £246,000).

PAYMENTS TO AUDITORS	2008 Total £000	2007 Total £000
Fees payable to the company's auditor for the audit of:		
- Parent company and consolidated accounts	25	24
- Company's subsidiaries, joint ventures and associates	87	88
- Pension scheme	7	7
Fees payable to the company's auditor and its associates for other services:		
- Corporate finance and financial due diligence	217	-
- Taxation advice	97	110
- Actuarial advice	15	20
- Other services	40	41
Fees payable to Moore Stephens for the audit of Meteo Consult BV	75	54

3 EXCEPTIONAL ITEMS

During the year the group undertook a strategic review of the entire sports business. Legal and professional costs of £1,126,000 were incurred in connection with this review, and a further £474,000 was incurred in restructuring of the senior management team.

Following the completion of the strategic review the group performed impairment reviews on the individual sports businesses. The net present value of future cash flows were assessed and found to be lower than the carrying value of the goodwill and assets, resulting in the following impairment charges:

	Goodwill relating to subsidiaries (note 10) £'000	Tangible assets (note 11) £'000	Goodwill relating to associates (note 12) £'000	Current assets £'000	Total £'000
SportEV Limited	1,585	-	-	-	1,585
iKnowledge Limited	944	-	-	-	944
Sport Services Group Limited	396	-	-	-	396
PA SportsTicker Inc	1,580	2,199	-	561	4,340
Sportal Australia Proprietary Limited	-	-	1,565	-	1,565
Total impairment	4,505	2,199	1,565	561	8,830

The future cash flows considered in respect of PA SportsTicker Inc were the proceeds from the sale of the business post year end (note 31).

The future cash flows considered in respect of SportEV Limited, iKnowledge Limited, Sport Services Group Limited and Sportal Australia Proprietary Limited were based on management projections.

A discount rate of 6.5% was applied in calculating the net present value of future cash flows.

NOTES TO THE FINANCIAL STATEMENTS

4 STAFF COSTS AND EMPLOYEE INFORMATION

	2008 £000	2007 £000
Wages and salaries	46,716	42,125
Social security costs	4,790	4,500
Other pension costs	3,755	4,140
	55,261	50,765

	2008 Number	2007 Number
Average number of Directors and staff employed by the group during the year:		
Agency	198	192
Enterprises	1,113	1,069
Central support	213	230
	1,524	1,491

5 DIRECTORS EMOLUMENTS

	2008 £000	2007 £000
Group emoluments of the company's Directors:		
Aggregate emoluments	1,409	1,382
Sums paid to third parties for Director's services	71	75
Amounts paid by the company in respect of money purchase pension scheme	-	60
	1,508	1,517
Amounts in respect of the highest paid Director:		
Emoluments including performance related bonus	416	324
Payment of part settlement of contractual pension entitlement	191	186
	607	510

Retirement benefits are accruing to five Directors (2007: five) under defined benefit schemes and to no Directors (2007: three) under money purchase schemes. The highest paid Director had an accrued annual pension at the year-end of £55,384 (2007: £47,484).

Compensation for loss of office amounting to £169,000 (2007: nil) was paid to a former Director.

6 SHARE OF OPERATING PROFIT IN JOINT VENTURES AND ASSOCIATES

	2008 £000	2007 £000
Share of operating profit in joint ventures	3,869	4,165
Share of operating loss in associates (including £1,565,000 exceptional item - note 3)	(1,857)	(91)
	2,012	4,074
The above results include CNW Group Limited:		
Turnover	13,390	12,948
Operating profit	3,873	3,990
Interest receivable	16	16
Tax	(1,447)	(1,382)
Profit after tax	2,442	2,624

7 INTEREST AND SIMILAR ITEMS

	2008 £000	2007 £000
Interest payable on bank loans and overdrafts	(895)	(475)
Interest payable on finance leases	(53)	(76)
Interest credit/(charge) imputed on deferred consideration payable (note 20)	2	(167)
Group finance costs payable	(946)	(718)
Share of associates' interest payable	(20)	(19)
Total finance costs payable	(966)	(737)
Interest on deposits	54	63
Net return on pension scheme assets (note 29)	1,100	1,800
Group interest receivable	1,154	1,863
Share of joint ventures' interest receivable	16	19
Total interest receivable	1,170	1,882
Net interest receivable	204	1,145

NOTES TO THE FINANCIAL STATEMENTS

8 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2008 £000	2007 £000
Current tax:		
UK Corporation tax at 28.5% (2007: 30%)	1,475	1,748
Double tax relief	(1,456)	(1,748)
Over provision in respect of prior years	-	(79)
	19	(79)
Overseas tax	1,031	921
Share of joint ventures' tax	1,447	1,442
Total current tax	2,497	2,284
Deferred tax:		
Origination and reversal of timing differences (accelerated capital allowances and other)	(286)	64
Pension scheme payments in excess of pension cost charge	416	536
Total deferred tax	130	600
Tax charge on (loss)/profit on ordinary activities	2,627	2,884

The current tax for the year is higher (2007: higher) than the standard rate of corporation tax in the UK. The differences are explained below.

	2008 £000	2007 £000
(Loss)/profit on ordinary activities before tax	(8,045)	2,504
At standard rate of corporation tax of 28.5% (2007: 30%)	(2,293)	751
Effects of:		
Expenses not tax deductible	2,460	727
Overseas tax rates in excess of 30%	481	433
Utilisation of tax losses brought forward	(7)	(47)
Excess of depreciation over capital allowances	955	78
Utilisation of general provisions and other timing differences	(162)	(37)
Pension payments in excess of pension charge	(423)	(621)
Current year tax losses carried forward	1,486	1,090
Adjustments in respect of prior periods	-	(79)
Small companies tax rate adjustment	-	(21)
Other	-	10
	2,497	2,284

9 DIVIDENDS

	2008 £000	2007 £000
Dividends approved and recognised in the year:		
Equity dividends:		
Final dividend nil pence per share (2007: 16.32 pence)	-	1,300

10 INTANGIBLE ASSETS

	Goodwill £000	Trademarks £000	Total £000
GROUP			
Cost:			
At 1 January 2008	29,219	58	29,277
Additions	-	11	11
Acquisitions of subsidiaries (note 28)	2,384	-	2,384
Reclassified from investment in joint ventures and associates (note 12)	476	-	476
Adjustments to deferred consideration (note 20)	(641)	-	(641)
Exchange differences	31	-	31
At 31 December 2008	31,469	69	31,538
Accumulated amortisation:			
At 1 January 2008	5,259	18	5,277
Reclassified from investment in joint ventures and associates (note 12)	181	-	181
Charge for the year	2,089	5	2,094
Impairment charge (note 3)	4,505	-	4,505
At 31 December 2008	12,034	23	12,057
Net book amount:			
At 31 December 2008	19,435	46	19,481
At 31 December 2007	23,960	40	24,000

NOTES TO THE FINANCIAL STATEMENTS

11 TANGIBLE ASSETS

	Freehold Property £000	Long leasehold Property £000	Computers and other office equipment £000	Total £000
GROUP				
Cost:				
At 1 January 2008	16,101	552	33,571	50,224
Additions at cost	-	67	5,149	5,216
Disposals	-	-	(273)	(273)
Acquisitions	-	-	13	13
Reclassified from investment in joint ventures	-	-	13	13
Exchange rate movement	-	257	1,470	1,727
At 31 December 2008	16,101	876	39,943	56,920
Accumulated depreciation:				
At 1 January 2008	2,594	124	22,168	24,886
Charge for the year	311	90	3,864	4,265
Impairment charge (note 3)	-	365	1,834	2,199
Disposals	-	-	(273)	(273)
Exchange rate movement	-	95	704	799
At 31 December 2008	2,905	674	28,297	31,876
Net book amount:				
At 31 December 2008	13,196	202	11,646	25,044
At 31 December 2007	13,507	428	11,403	25,338

The net book value of fixed assets includes an amount of £816,000 (2007: £1,031,000) in respect of assets held under finance leases. The related cost of these assets was £1,269,000 (2007: £1,269,000) and accumulated depreciation £453,000 (2007: £238,000).

	Freehold Property £000	Long leasehold Property £000	Computers and other office equipment £000	Total £000
COMPANY				
Cost:				
At 1 January 2008	16,101	-	66	16,167
Additions at cost	-	-	28	28
At 31 December 2008	16,101	-	94	16,195
Accumulated depreciation:				
At 1 January 2008	2,594	-	64	2,658
Charge for the year	311	-	7	318
At 31 December 2008	2,905	-	71	2,976
Net book amount:				
At 31 December 2008	13,196	-	23	13,219
At 31 December 2007	13,507	-	2	13,509

12 INVESTMENT IN JOINT VENTURES AND ASSOCIATES

	2008 £000	2007 £000
GROUP		
Share of net assets		
At 1 January	5,102	4,808
Currency translation difference on investment in joint venture and associate	465	476
Share of retained net profit after dividends received of £2,535,000 (2007: £2,758,000)	(191)	121
Amortisation of goodwill	(218)	(246)
Impairment of goodwill (note 3)	(1,565)	-
Actuarial loss recognised in the pension scheme of joint venture	(288)	(57)
Joint venture transferred to subsidiary undertakings:		
Net assets reclassified	(226)	-
Goodwill reclassified as intangible assets (note 10)	(295)	-
Acquisition of joint venture	323	-
At 31 December	3,107	5,102
Analysed between:		
Net assets	2,790	3,038
Goodwill	317	2,064
	3,107	5,102
Investment in joint ventures	2,918	3,065
Investment in associates	189	2,037
Total investment in joint ventures and associate	3,107	5,102
Loan to joint venture		
At 1 January	-	50
Repaid during the year	-	(50)
At 31 December	-	-

The joint ventures are as follows:

COMPANY	ACTIVITY	GROUP INTEREST IN ORDINARY SHARES AND VOTING RIGHTS
CNW Group Limited (incorporated in Canada)	Communications and distribution	50%
Abaca US Inc. (incorporated in USA)	Photo Syndication	50%

The shares in CNW Group Limited and Abaca US Inc are held by an investment holding company, PA News Investments Limited, that is a direct subsidiary undertaking of PA Group Limited.

During the year the group purchased a further 50% of the share capital of Television News Release Limited, taking the group share to 100%. Accordingly Television News Release Limited is now a subsidiary undertaking of the group and the amount of £150,000 held in investment in joint ventures and associates was reclassified at the point of acquisition.

During the year the group purchased a further 50% of the share capital of The Editorial Centre Limited, taking the group share to 100%. Accordingly The Editorial Centre Limited is now a subsidiary undertaking of the group and the amount of £371,000 held in investment in joint ventures and associates was reclassified at the point of acquisition.

On 1 August 2008 the company acquired 50% of the share capital of Abaca US Inc for a consideration of £289,000, and incurred acquisition costs of £34,000. At the date of acquisition, the group's share of the fair value of the liabilities of the company was £8,000 generating goodwill of £331,000. The goodwill is being amortised over 10 years, the period that the Directors estimate that the value of the underlying business is expected to exceed the value of the business acquired.

During the year group companies provided services to the joint ventures amounting to £26,000 (2007: £62,000) and received services amounting to £6,000 (2007: £24,000), both on an arms length basis. Amounts due from joint ventures at the year-end are included in debtors (see note 14).

12 INVESTMENT IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

	2008 £000	2007 £000
Analysis of group share of net assets in principle joint venture:		
CNW Group Limited:		
Fixed assets	1,586	1,366
Current assets	3,397	3,085
Liabilities due within one year	(2,383)	(1,908)
	2,600	2,543

The associates are as follows:

COMPANY	ACTIVITY	GROUP INTEREST IN ORDINARY SHARES AND VOTING RIGHTS
Sportal Australia Proprietary Limited (incorporated in Australia)	Sport data	33.3%
Champion Data Holdings Proprietary Limited (incorporated in Australia)	Sport data	33.3%
Champion Data Proprietary Limited (incorporated in Australia)	Sport data	33.3%
Sportal (NZ) Proprietary Limited (incorporated in New Zealand)	Sport data	33.3%

The shares in Sportal Australia Proprietary Limited are held by an investment company, PA Sport International Limited, that is an in-direct subsidiary undertaking of PA Group Limited. The shares in Champion Data Holdings Proprietary Limited and Sportal (NZ) Proprietary Limited are held by Sportal Australia Proprietary Limited. The shares in Champion Data Proprietary Limited are held by Champion Data Holdings Proprietary Limited.

During the year group companies provided services to the associates amounting to £5,000 (2007: £36,000) and received services amounting to £245,000 (2007: £nil), both on an arms length basis.

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENTS	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Cost and net book value				
At 1 January and 31 December	-	-	84,071	84,071

The principal trading subsidiary undertakings of the company, all of which are incorporated in England and Wales unless stated, are as follows:

COMPANY	ACTIVITY	PARENT AND GROUP INTEREST IN ORDINARY SHARES AND VOTING RIGHTS
The Press Association Limited	News, sport and entertainment information	100%
The Press Association of Ireland Limited (incorporated in the Republic of Ireland)	News	100% (i)
Television News Release Limited	Video news releases	100% (ii)
PA Photos Limited	Photo syndication	100% (ii)
All Action Digital Limited	Photo syndication	100% (iii)
PA Sport UK Limited	Sport data	100% (iv)
SportEV Limited	Sport data	100% (iv)
iKnowledge Limited	Sport data	100% (iv)
PA Sport Asia Limited	Sport data	100% (v)
PA SportsTicker Inc. (incorporated in USA)	Sport data	100% (v)
PA Sport South Africa (Proprietary) Limited (incorporated in South Africa)	Sport data	80% (v)
Meteo Consult BV (incorporated in the Netherlands)	Meteorological information	89.8% (i)
MeteoGroup UK Limited	Meteorological information	95.0% (ii) (vi)
MeteoGroup Deutschland GmbH (incorporated in Germany)	Meteorological information	84.5% (vi)
Meteo Services SA (incorporated in Belgium)	Meteorological information	77.0% (vi)
Meteotemp España SL (incorporated in Spain)	Meteorological information	89.8% (vi)
MeteoGroup Scandinavia AB (incorporated in Sweden)	Meteorological information	89.8% (vi)
MeteoGroup Polska SP ZOO (incorporated in Poland)	Meteorological information	89.8% (vi)

(i) The shares in these companies are held by PA News Investments Limited.
(ii) The shares in these companies are held by The Press Association Limited.
(iii) The shares in these companies are held by PA Photos Limited.
(iv) The shares in these companies are held by PA Sport Limited.
(v) The shares in these companies are held by PA Sport International Limited.
(vi) The shares in these companies are held by Meteo Consult BV.

14 DEBTORS	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Trade debtors	10,053	8,710	-	-
Amount owed by subsidiary undertakings	-	-	8,315	9,407
Amount owed by joint venture	33	163	-	-
Other debtors	200	199	2	1
Prepayments and accrued income	3,984	3,932	280	363
Corporation tax recoverable	-	97	-	780
Deferred tax asset (note 19)	1,282	572	190	-
	15,552	13,673	8,787	10,551

Amounts owed by subsidiary and joint venture undertakings are unsecured, interest free and have no fixed repayment date.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Bank loans (note 18)	767	211	767	211
Bank overdraft	2,749	3,739	-	112
Trade creditors	3,532	4,267	-	-
Amount owed to subsidiary undertakings	-	-	1,864	20,291
Finance leases (note 17)	278	315	278	299
Other taxes and social security	3,158	2,328	53	78
Corporation tax	112	-	-	-
Other creditors	788	596	64	28
Accruals and deferred income	9,880	8,158	711	488
	21,264	19,614	3,737	21,507

The bank overdraft is secured by a first legal charge over the groups freehold buildings in conjunction with the group's bank loans (note 18). Interest is charged at the Bank of England base rate plus 1.5% and the overdraft is repayable on demand.

Amounts owed to subsidiary undertakings are unsecured, interest free and have no fixed repayment date.

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Bank loans (note 18)	13,405	4,991	13,405	4,991
Finance leases (note 17)	288	566	288	565
	13,693	5,557	13,693	5,556

17 FINANCE LEASES

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Future minimum payments under finance leases are as follows:				
Within one year	278	315	278	299
In more than one year, but less than five years	288	566	288	565
	566	881	566	864

The finance leases are held with Lombard Technology Services Limited and commenced in December 2006. The principal amount was for £1,229,000, denominated in Sterling, bearing interest fixed at 6.75% and are in respect of certain computer and telephone equipment.

NOTES TO THE FINANCIAL STATEMENTS

18 BANK LOANS

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Bank loan expiring:				
Within one year	767	211	767	211
In more than one year, but not more than two years	1,229	1,023	1,229	1,023
In more than two year, but not more than five years	6,909	2,627	6,909	2,627
In more than five years	5,267	1,341	5,267	1,341
	14,172	5,202	14,172	5,202

In October 2008 the group entered into new banking facilities with LloydsTSB plc, refinancing existing term loans and overdraft facility. The new banking facilities comprise of a £10,000,000 multicurrency term loan, a £5,000,000 multicurrency revolving credit facility and a £5,000,000 overdraft facility. The facilities are secured by a first legal charge over the group's freehold buildings.

£7,184,000 of the term loan is denominated in Sterling, (£7,184,000 outstanding at 31 December 2008), bears interest based on LIBOR plus 1.25%, and is repayable over 10 years.

£2,816,000 of the term loan is denominated in Euros, (£3,351,000 outstanding at 31 December 2008 after retranslation at the year end exchange rate), bears interest based on EURIBOR plus 1.25%, and is repayable over 10 years.

Of the revolving credit facility, £3,351,000 denominated in Euros was outstanding at 31 December 2008, bears interest based on EURIBOR plus 1.25%, and is repayable by 31 December 2011. The remaining balance of the revolving credit facility was not drawn down at 31 December 2008.

The group also continues to hold unsecured loans with Lombard Technology Services Limited which commenced in December 2006. The principal amount was for £754,000 (outstanding as at 31 December 2008 £286,000), denominated in Sterling, bearing interest fixed at 6.75%.

19 DEFERRED TAX ASSET/(LIABILITY)

	Group £000	Company £000
At 1 January 2008	572	(100)
Transfer to profit and loss account (note 8)	286	290
Transferred directly to reserves	424	-
At 31 December 2008 (note 14)	1,282	190

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
The deferred tax asset/(liability) comprises				
Fixed asset timing differences	1,010	80	(74)	(100)
Trading losses	208	498	127	-
Other timing differences	64	(6)	137	-
	1,282	572	190	(100)

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.

20 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred consideration £000	Management incentive plans £000	Deferred taxation £000	Other £000	Total £000
GROUP					
At 1 January 2008	2,906	82	-	769	3,757
Utilised in the year	(541)	-	-	(61)	(602)
Adjustment to goodwill	(641)	-	-	-	(641)
Credited to profit and loss account - turnover	(269)	-	-	-	(269)
Credited to profit and loss account - interest	(2)	-	-	-	(2)
Charged to profit and loss account	-	70	-	184	254
At 31 December 2008	1,453	152	-	892	2,497
COMPANY					
At 1 January 2008	-	82	100	-	182
Credited to profit and loss account	-	-	(100)	-	(100)
Charged to profit and loss account	-	70	-	130	200
At 31 December 2008	-	152	-	130	282

Amounts utilised in the year in respect of deferred consideration relate to an interim payment made in respect of All Action Digital Limited (£214,000) and a final payment made in respect of SportEV Limited (£327,000).

Adjustments to deferred consideration are due to the re-calculation of amounts due to the vendors of All Action Digital Limited (increase of £148,000) and iKnowledge Limited (decrease of £789,000).

Deferred consideration is potentially payable in 2009 in respect of All Action Digital Limited and in 2010 in respect of iKnowledge Limited.

Amounts credited to turnover within the profit and loss account in respect of deferred consideration relate to the unwinding of the PA SportsTicker service provision discount agreement with the previous owner.

Amounts credited to interest within the profit and loss account in respect of deferred consideration relate to the imputed interest payable on the deferred consideration (note 7). On acquisition, deferred consideration for PA SportsTicker Inc and iKnowledge Limited was discounted to net present value. A credit to interest has arisen in the year due to the downward re-calculation of deferred consideration payable in respect of iKnowledge Limited, resulting in a backdated adjustment to the imputed interest charge.

A long-term incentive plan was set up in 2006 to reward PA Group Limited Executive Directors, and potentially other senior executive employees, by paying them a bonus related to performance over the period from 1 January 2006 to 31 December 2009. A reduction of £30,000 has been made in the year following the resignation of 2 Executive Directors who were in the scheme.

A Phantom share option scheme was set up in 2007 to reward PA Group Limited Executive Directors, and other senior executive employees, with options being granted over a defined vesting period, settled in cash. The amount payable is calculated by reference to the change in value of the group. A provision of £100,000 has been made in respect of options granted during 2008.

Other provisions for liabilities relate to a deferred bonus arrangement for an executive of MeteoGroup Deutschland GmbH payable in 2009 at the earliest and a provision for onerous leases which is made against the liability arising on certain unoccupied leased properties to the extent that the Directors believe that costs will not be offset by assignment or sub-letting. It is anticipated that these provisions will be fully utilised by the end of 2012.

21 CALLED UP SHARE CAPITAL

	2008 £000	2007 £000
7,965,000 (8,000,000 authorised) ordinary shares of £1 each allotted and fully paid	7,965	7,965

22 PROFIT AND LOSS ACCOUNT

	Group £000	Company £000
At 1 January 2008	36,458	72,921
Currency translation difference on overseas investments in subsidiaries, joint ventures and associates	445	-
(Loss)/profit for the financial year	(11,068)	7,508
Actuarial loss on pension scheme	(8,700)	-
Actuarial loss on pension scheme of joint venture	(288)	-
Movement on deferred tax relating to pension asset	2,436	-
At 31 December 2008	19,283	80,429

Cumulative goodwill written off directly to group reserves prior to the implementation of FRS 10, Goodwill and Intangible Assets, is £12,885,000 (2007: £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.

The profit and loss reserve includes a liability of £1,186,000 (2007: asset of £4,011,000), stated after deferred taxation of £461,000 (2007: £1,590,000) in respect of pension scheme asset.

23 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
(Loss)/profit for the financial year	(11,068)	(737)	7,508	1,341
Dividends	-	(1,300)	-	(1,300)
(Sustained loss)/retained profit for the financial year	(11,068)	(2,037)	7,508	41
Currency translation difference on overseas investments in subsidiaries, joint ventures and associates	445	508	-	-
Actuarial (loss)/gain recognised on pension scheme	(8,700)	2,800	-	-
Actuarial loss on pension scheme of joint venture	(288)	(57)	-	-
Movement in deferred tax relating to pension asset	2,436	(814)	-	-
Net (decrease)/increase in equity shareholders' funds	(17,175)	400	7,508	41
Opening equity shareholders' funds	44,423	44,023	80,886	80,845
Closing equity shareholders' funds	27,248	44,423	88,394	80,886

24 FINANCIAL COMMITMENTS

	2008 £000	2007 £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	124	72
One to five years	409	322
Beyond five years	485	414
	1,018	808
Motor vehicles and equipment, leases expiring:		
Within one year	134	50
One to five years	238	385
	372	435
Capital expenditure contracted for but not provided	83	299

NOTES TO THE FINANCIAL STATEMENTS

25 RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008 £000	2007 £000
Operating loss	(10,261)	(2,715)
Goodwill and trademark amortisation (note 10)	6,599	1,835
Depreciation charge (note 11)	6,464	3,816
Decrease in provisions	(168)	(36)
Difference between pension charge and cash contributions	(384)	266
Decrease in stocks	8	39
Increase in debtors	(1,229)	(1,213)
Increase in creditors	1,543	972
	2,572	2,964

The figures above include the following amounts in respect of discontinued operations:	2008 £000	2007 £000
Operating loss	(7,119)	(3,111)
Goodwill amortisation	1,670	84
Depreciation charge	2,545	250
(Decrease)/increase in provisions	(55)	55
Decrease/(increase) in debtors	495	(103)
Decrease in creditors	(100)	(359)
	(2,564)	(3,184)

26 RETURN ON INVESTMENTS AND SERVICING OF FINANCE

	2008 £000	2007 £000
Interest received	54	63
Interest paid	(946)	(551)
Dividends paid to minority interests	(179)	(279)
	(1,071)	(767)

27 RECONCILIATION OF NET DEBT

	1 January 2008 £000	Cash flow £000	Other non cash changes £000	31 December 2008 £000
Cash	1,292	1,883	-	3,175
Overdraft	(3,739)	990	-	(2,749)
	(2,447)	2,873	-	426
Short term deposits	202	(202)	-	-
Debt due within 1 year	(211)	211	(767)	(767)
Debt due after 1 year	(4,991)	(9,181)	767	(13,405)
Finance lease due within 1 year	(315)	315	(278)	(278)
Finance lease after 1 year	(566)	-	278	(288)
	(8,328)	(5,984)	-	(14,312)

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

28 ACQUISITION OF SUBSIBIARY UNDERTAKINGS

(i) On 26 March 2008 the group acquired a further 50% (bringing the group's shareholding to 100%) of the share capital of Television News Release Limited for a cash consideration of £878,000. Goodwill arising on the acquisition is to be amortised over 10 years, being the period that the Directors estimate that the value of the underlying business acquired is expected to exceed the value of the assets acquired. The book value of the assets of Television News Release Limited at acquisition was £92,000.

(ii) On 31 March 2008 the group acquired a further 50% (bringing the group's shareholding to 100%) of the share capital of The Editorial Centre Limited for a cash consideration of £590,000. Goodwill arising on the acquisition is to be amortised over 10 years, being the period that the Directors estimate that the value of the underlying business acquired is expected to exceed the value of the assets acquired. The book value of the assets of The Editorial Centre Limited at acquisition was £135,000.

(iii) On 22 May 2008 the group acquired a further 5.1% (bringing the group's shareholding to 89.8%) of the share capital of Meteo Consult BV for a cash consideration of £1,090,000. Goodwill arising on the acquisition is to be amortised over 20 years, being the period that the Directors estimate that the value of the underlying business acquired is expected to exceed the value of the assets acquired. The book value of the assets of Meteo Consult BV at acquisition was £96,000.

(iv) On 1 June 2008 Meteo Consult BV acquired a further 4.5% (bringing the group's shareholding to 71.1%) of the share capital of Meteo Graphics GmbH for a cash consideration of £61,000. Goodwill arising on the acquisition is to be amortised over 10 years, being the period that the Directors estimate that the value of the underlying business acquired is expected to exceed the value of the assets acquired. The book value of the assets of Meteo Graphics GmbH at acquisition was £32,000.

Subsequently, on 1 October 2008 Meteo Graphics GmbH and MC Wetter GmbH merged to form MeteoGroup Deutschland.

(v) On 1 July 2008 Meteo Consult BV acquired a further 2.6% (bringing the group's shareholding to 77%) of the share capital of Meteo Services SA for a cash consideration of £116,000. Goodwill arising on the acquisition is to be amortised over 10 years, being the period that the Directors estimate that the value of the underlying business acquired is expected to exceed the value of the assets acquired. The book value of the assets of Meteo Services SA at acquisition was £10,000.

The provisional fair values attributed to the identifiable assets and liabilities of the acquired businesses are set out below, together with details of the calculation of goodwill arising.

	Television News Release Limited (50%) (i) £000	The Editorial Centre Limited (50%) (ii) £000	Meteo Consult BV (5.1%) (iii) £000	Meteo Graphics GmbH (4.5%) (iv) £000	Meteo Services SA (2.6%) (v) £000	Total £000
Fixed assets	4	9	86	3	1	103
Debtors	154	250	176	36	19	635
Cash	38	43	57	9	3	150
Creditors	(104)	(167)	(214)	(16)	(13)	(514)
	92	135	105	32	10	374
Minority interests	-	-	(9)	-	-	(9)
Net assets on acquisition	92	135	96	32	10	365
Goodwill	794	461	994	29	106	2,384
	886	596	1,090	61	116	2,749
Satisfied by:						
Cash consideration	878	590	1,090	61	116	2,735
Acquisition costs	8	6	-	-	-	14
	886	596	1,090	61	116	2,749

29 PENSIONS

The group operates a defined benefit pension scheme, the Press Association Pension Fund (1992). The funds are administered by trustees and are independent of the group's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuarial adviser.

The group also operates a defined contribution scheme (a group personal pension plan) for staff not eligible to join the defined benefit scheme.

The following disclosures relates to the group defined benefit pension scheme, the Press Association Pension Fund (1992).

The full actuarial valuation as at 31 December 2005 was updated to the accounting date by an independent qualified actuary in accordance with FRS 17. As required by FRS 17, the value of the defined benefit liabilities has been measured using the projected unit method.

The key FRS 17 assumptions used for the scheme are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the deficit of assets against the FRS 17 liabilities (which equals the gross pension liability).

The main assumptions used were:	31 December 2008	31 December 2007	31 December 2006
Price inflation	2.8%	3.4%	3.0%
Discount rate	6.4%	5.6%	5.0%
Pensions increases (LPI)	2.8%	3.4%	2.9%
Salary growth (plus salary scale)	2.8%	3.4%	3.0%
Life expectancy of male aged 63 in accounting year	23.8 years	23.8 years	23.7 years
Life expectancy of male aged 63 in 20 years after accounting year	25.0 years	24.9 years	24.9 years

Asset distribution and expected return:	31December 2008		31 December 2007		31 December 2006	
	Expected return pa	Fair value £ million	Expected return pa	Fair value £ million	Expected return pa	Fair value £ million
Equities	8.0%	40.8	7.2%	77.0	7.5%	74.5
Bonds	6.4%	9.0	5.6%	11.8	5.1%	11.7
Gilts	4.0%	-	4.4%	44.8	4.6%	40.4
Property	7.0%	2.4	7.2%	3.4	7.5%	3.7
Insured annuities	6.4%	52.3	-	-	-	-
Other	3.0%	0.9	5.5%	0.9	5.0%	0.8
Total		105.4		137.9		131.1

The amounts included in the balance sheet arising from the group's obligations in respect of the scheme are as follows:

Balance sheet:	2008 £ million	2007 £ million
Total fair value of assets	105.4	137.9
FRS 17 value of liabilities	(107.0)	(132.3)
Gross pension (liability)/asset	(1.6)	5.6
Related deferred tax asset/(liability)	0.4	(1.6)
Net pension (liability)/asset	(1.2)	4.0

The scheme is represented on the balance sheet as at 31 December 2008 as a liability of £1.6m under FRS 17 (2007: an asset of £5.6m), which amounts to a liability of £1.2m net of deferred tax (2007: asset of £4.0m).

Over the year to 31 December 2008, contributions by the group of £3.0m (2007: £3.2m) were made to the scheme. This included special contributions of £0.6m (2007: £0.6m), and contributions in respect of members who opted for the salary conversion arrangement. At 31 December 2008, employer contributions of £0.2m (included in the £3.0m) were due to the scheme but unpaid at that date. It has been agreed that future employer contributions will be at a rate of 15.0% of pensionable salaries for 2009, plus special contributions totalling £320,000 in 2009. Rates will be reviewed following the conclusion of the next actuarial valuation, due as at 31 December 2008 and additional contributions may become payable in 2009.

29 PENSIONS (CONTINUED)

Changes in the present value of the scheme liabilities are as follows:	2008 £ million	2007 £ million
1 January	(132.3)	(130.4)
Employer's part of current service cost	(2.6)	(2.9)
Interest cost	(7.3)	(6.5)
Contributions by scheme participants	(0.3)	(0.4)
Actuarial gains	30.5	3.2
Benefits paid	5.0	4.7
31 December	(107.0)	(132.3)

The 2008 actuarial gain was due to changes in discount rate, price inflation and pension increases assumptions (£30.0m) and liability experience over the year (£0.5m).

Changes in the fair value of the scheme's assets are as follows:	2008 £ million	2007 £ million
1 January	137.9	131.1
Expected return on the scheme's assets	8.4	8.3
Actuarial losses	(39.2)	(0.4)
Contributions by the employer	3.0	3.2
Contributions by scheme participants	0.3	0.4
Benefits paid	(5.0)	(4.7)
31 December	105.4	137.9

The actual return on the scheme's assets over the year was a loss of £30.8m (2007: gain of £7.9m), of which £8.0m (2007: £nil) related to an actuarial loss resulting from the "pensions buy-in".

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. Expected returns on insurance policies are the discount rate used to place a value on these policies.

The amounts recognised within the profit and loss account are as follows:	2008 £ million	2007 £ million
Employer's part of current service cost	(2.6)	(2.9)
Expected return on scheme's assets	8.4	8.3
Interest cost	(7.3)	(6.5)
Total expense included in the profit and loss account	(1.5)	(1.1)

The scheme is 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.

The amount recognised outside of the profit and loss account in the statement of total recognised gains and losses ("STRGL") for 2008 is a loss of £8.7m (2007: gain of £2.8m).

Amounts for current period and previous four periods:	2008 £ million	2007 £ million	2006 £ million	2005 £ million	2004 £ million
Present value of scheme liabilities	(107.0)	(132.3)	(130.4)	(120.0)	(105.5)
Fair value of scheme's assets	105.4	137.9	131.1	122.0	101.3
(Deficit)/surplus	(1.6)	5.6	0.7	2.0	(4.2)

29 PENSIONS (CONTINUED)

The history of experience gains and losses is:	2008	2007	2006	2005	2004
Actual return less expected return on scheme's assets (£m)	(39.2)	(0.3)	3.6	11.7	2.5
Percentage of scheme's assets	(37%)	-	3%	10%	2%
Experience gains/(losses) arising on scheme's liabilities (£m)	0.5	(0.5)	(1.6)	(0.2)	(0.1)
Percentage of the present value of the scheme's liabilities	-	-	(1%)	-	-
Total amount recognised in the STRGL (£m)	(8.7)	2.8	(3.0)	2.9	(1.4)
Percentage of the present value of the scheme's liabilities	(8%)	2%	(2%)	2%	(1%)

The following disclosure relates to the CNW Group, which is a 50% joint venture.

	2008 £ million	2007 £ million
Scheme deficit at start of year	(0.6)	(0.5)
Profit and loss expense	(0.1)	(0.1)
Contributions	0.1	0.1
Actuarial loss recognised in STRGL (including exchange rate gain)	(0.4)	(0.1)
Scheme deficit at end of year	(1.0)	(0.6)
Related deferred tax asset	0.3	0.2
Net balance sheet liability	(0.7)	(0.4)

Further disclosure has not been provided given the value of the scheme.

30 RELATED PARTY TRANSACTIONS

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 defined benefit pension scheme. During the year a total of £30,000 (2007: £28,000) was recharged to the scheme, and at 31 December 2008 £nil (2007: £nil) was owed by the scheme to the group.

Transactions during both periods with joint ventures and associates are disclosed in note 12.

The nature of the share ownership of PA Group 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.

31 POST BALANCE SHEET EVENTS

On 5 March 2009 the company sold 100% of the issued share capital of PA Sportsticker Inc for a cash consideration of £1,155,000. The profit/loss on disposal will be recorded in the 2009 financial statements, however this is expected to be negligible given the impairment provisions recorded in the 2008 financial statements.

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