PA Group Limited

Annual Report

2016

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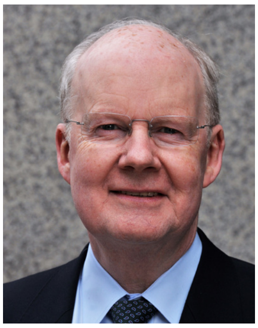
CHAIRMAN'S STATEMENT



PA Group achieved a sixth consecutive year of record profit in 2016 and a return to revenue growth, a positive reflection of its long-term strategy to diversify its income streams.

Headline revenue was £57.8m, a year-on-year improvement of 0.4%. Operating profit before goodwill amortisation was £4.9m, £1.0m higher than last year's figure.

The impact of an ongoing decline in traditional media revenues was mitigated by corporate revenues generated by the Group's recently acquired businesses, with strong contributions from the broadcast service provider Globelynx, and specialist communications agency TNR. New business opportunities created by PA in growing sectors like Out-Of-Home and Racing & Betting further increased revenues across the business.

A focus on creating cost efficiencies was a major contributing factor in this year's profit growth, among them the automation of data collection and distribution processes.

The Group continued to invest in businesses outside the traditional media space during 2016. It took a 25% stake in Baize Group, owner of Blackball Media – publisher of *Car Dealer* magazine and a major provider of content and services to the automotive industry. The new relationship now sees Blackball Media providing content for PA's Motoring customers.

The Group also acquired the remaining 20% stake in the content marketing agency Sticky Content, having exercised the option to do so early in the year.

Capitalising on the growing demand for video in the social media and digital space, the Group made a strategic investment in Wochit, a social video creation platform based in New York. As well as providing the PA Group with valuable insights into this flourishing sector, our investment will in turn contribute to the further development of Wochit's services.

During the year, we made a valuable addition to our board in Tim Cobbold, Chief Executive Officer of the exhibitions and communications group UBM plc.

We also welcomed a new member the PA Trust, which monitors and upholds the standards of the news agency. Alison Hastings was appointed a Trustee in June 2016, filling the position left open by the retirement of John Bryant in 2015. Formerly an editor of the *Evening Chronicle* in Newcastle, she has previously served on the BBC Trust and the Press Complaints Commission.

A major transformation project was initiated to equip PA's journalists with the tools to create content for multiple platforms from a single content management system. The new system will transform the way we work as a company, and support the delivery of a new set of enriched digital products, ensuring the business continues to meet the rapidly evolving requirements of both mainstream and digital media.

We remain committed to developing the business in order to provide our customers with high quality and relevant content, and will continue with our strategy of acquiring and investing in businesses that complement the core business and help further diversify our revenue streams.

Murdoch MacLennan
Chairman

CHIEF EXECUTIVE'S STATEMENT

2016 was another challenging year for the media industry, with pressure on publishers to adjust commercial models to keep pace with rapidly changing consumer behaviours. Central to these were shifts in the way content is discovered, with search, social and a growing demand for visual content being key drivers.

Despite this, PA Group saw positive outcomes from its long-term strategy to diversify its income streams, and from the implementation of technology-led changes across the business to enable us to adapt to the evolving media market.

The Group delivered record profits for the sixth consecutive year, when comparing continuing operations. Operating profit before goodwill amortisation was £4.9m, £1m higher than the same figure for 2015. Operating profit was £3.1m, a year-on-year improvement of £0.9m.

The business also saw a return to revenue growth, with an increase of £0.2m compared to 2015. This reflects our focus on seeking to grow revenues in the corporate sector, amid the ongoing decline of the traditional media sector.

Furthermore, the Group has maintained a focus on creating cost efficiencies throughout the year. Notable among them are the implementation of newly automated processes in our data business, and the rationalisation of our property portfolio in Yorkshire which saw all our Howden-based staff moved into our purpose-built operations centre.

Progress against our diversification strategy

The objective of reducing our reliance on the traditional media sector remained a major priority in 2016. The Group continued to invest in complementary businesses which would enhance revenue, bring new capabilities into the business and deliver against our long-term objective of revenue diversification.

During the year, PA Group took a 25% stake in Baize Group, a leading provider of motoring editorial, events and PR services for the automotive industry. The business comprises Blackball Media – which publishes *Car Dealer* magazine and runs a number of industry events, like 'CDX' – and the PR agency 'On Cue Communications'. Following the merger of our editorial operations, Blackball Media's editorial team now provides content for PA's Motoring wire.

Capitalising on growing demand for high quality video across social and digital platforms, we made a strategic investment in the social video creation platform, Wochit. The New York-based start-up enables content producers, including media and publishing companies, to create socially-optimised videos quickly, cost-effectively and at scale.

Our investment will go towards the development of new tools and features to further enhance the platform's technology, while supporting the expansion of Wochit's business around the world.

The relationship also sees a selection of PA's news, sport and entertainment content added to Wochit's proprietary library of rights-cleared assets, a resource that allows content creators to rapidly produce video packages on trending topics.

Corporate revenue via our existing non-traditional media acquisitions accounted for nearly 15% of group revenue, with particularly strong contributions from Globelynx and TNR.

Globelynx expanded its global footprint, entering Australia, Hong Kong, Singapore and North America for the first time in 2016. The business has now established over 100 cameras and internet protocol connections, facilitating more than 400 live interviews each month for a base of around 30 broadcasters around the world. A new annual subscription model introduced in the year, together with a growing roster of expert commentators available to book through Globelynx, make the service an attractive option for broadcasters. The service saw particularly high demand in the aftermath of the Brexit vote and the US presidential election.

Blackball Media, publisher of 'Car Dealer' magazine, now provides content for PA's motoring service.

Stormtroopers descend on London's Canary Wharf tube station, in a stunt to mark the launch of 'Rogue One: A Star Wars Story'.

TNR, our specialist communications agency, had a record profit and revenue performance, and continued to undertake major video and photography projects for internationally renowned brands like Disney, for the release of *Rogue One: A Star Wars Story*, and YouTube for the launch of *Space London* in King's Cross during the summer.

The agency also worked with Guinness World Records (GWR) for 12th year in a row. A video shot for GWR Day – of a man jumping from a 73 metre height to dunk a biscuit into a cup of tea – went viral. On the Sky News Facebook page alone, the 'Bungee Dunk' has been viewed more than 4.3 million times.

Groundwork was laid in the year for the launch of a new creative agency to focus on conceptual creative branded video content. The new agency will complement TNR's editorial output and capitalise on the demand for high-impact visual content across social media and digital platforms.

The Group took full ownership of the content marketing agency Sticky Content, having exercised the option to acquire the remaining 20% stake in the business. Founder Catherine Toole stepped down as Chairman and remains with the agency as a non-executive director and business consultant. The agency won its first award in November for work on 'Journey', the corporate social responsibility website run by Coca Cola GB. 'Journey' was named Digital Publication of the Year at the Corp Comms Awards.

PA Images remains a trusted source of high quality visual content around the world. Growing international demand for our content led us to enter a sales partnership with Getty Images which sees PA-owned content added to their global distribution network, reaching almost one million customers in close to 200 countries. At the same time, PA Images is executing a long term strategy to open up its content network to a variety of international contributors. We entered into a strategic partnership with German news agency, dpa (Deutsche Presse-Agentur) in the year, and have negotiated more such partnerships to begin in 2017.

Extracting value from our data

Data – particularly horse racing data – was a key revenue driver in 2016, owing to our relationships with rights owners and PA's provision of a high quality collection and distribution service to customers.

During the year we completed a technology-led project to automate the collection of live data from race courses and collate betting information from track-side operatives. We also became the official data partner to The Racing Partnership – a joint venture between Arena Racing ("ARC") and seven independent race-courses – to deliver horseracing data to high street and online bookmakers.

Away from horseracing, we deployed an improved API for the Olympic Games, and created a new multi-sport API ahead of some of the year's biggest tournaments to add value to the data we deliver to customers.

In the area of entertainment, our relationship as Sky's TV metadata partner continued to expand. We rolled out an enhanced TV images service which ensures that Sky receives PA-sourced pictures for all major channels and programmes in its electronic programme guide.

Securing our position as a leading multimedia content provider

PA has continued to capitalise on opportunities created by the proliferation of digital platforms and publishers' evolving business models. This is reflected in our ongoing focus on broadening our customer base, introducing new products, and upgrading processes for creating and delivering content.

We have continued to diversify our customer profile, targeting younger audiences and pure digital customers, as well as strengthening our foothold in growing sectors such as Out-Of-Home (OOH) and Racing & Betting.

At the beginning of the year we partnered with the youth-focussed music discovery site, SBTV, to launch a news channel. Powered by PA's Snappa service, SBTV News provides a fresh perspective on the news with engaging, fun and informative stories. Two PA journalists were seconded to SBTV to create an exclusive mix of content across music, showbiz, technology, politics, sports and more.

In the OOH sector, an editorial partnership with outdoor advertising company JCDecaux saw live updates from the UEFA European Championships and the Olympic Games broadcast directly to fans across the UK though JCDecaux's network digital screens. The PA-branded content in rail, retail and roadside environments around the country gave us exceptional brand exposure among the general public and, crucially, created more opportunities to work with JCDecaux and other potential OOH customers in the future.

New clients in the digital space included the Chinese company Bytedance Technology – producers of the news and video aggregation app, Topbuzz – which signed with PA for a package of news, features and video content. Similarly, we worked with the British Olympic Association to supply content for the Team GB Live app which generated almost 400,000 downloads, making our live Olympics data a vital part of the event's coverage.

A new content partnership established with the betting site bwin – owned by GVC Holdings PLC – now sees PA providing bespoke content for bwin's online betting community. A dedicated team in Howden provides a mix of text and video stories, stats-based articles, infographics and quizzes.

Traditional media remains an important focus for our business; in the year, our Page Production team in Howden began supplying editorial production services to Ireland's largest media publisher, Independent News and Media (INM). A team of 15 was recruited to provide sub-editing and design work for INM's flagship title the *Irish Independent*, as well as the *Sunday Independent*, *The Herald*, *Sunday World* and its associated magazine.

One of JCDecaux's digital displays at St Pancras International Station, featuring PA coverage of the Olympic Games.

New products launched during the year reflected an increasing demand for visually-led content, presented in a rich media format for consumption on social and digital platforms.

In PA Video, the successful introduction of the drone and 360 cameras continued work begun last year to make the service a relevant, distinct proposition with a growing customer base. Standout packages included behind-the-scenes footage from the third series of *Poldark* shot by the drone along the Cornish coast and a 360° view of the 'Jungle' migrant camp in Calais.

Elsewhere, we also increased the number of videos we create for our Real Life features strand, making this original content even more appealing for some of our biggest digital customers including DMG Media and News UK for the *Daily Mail* and *Sun* websites, respectively.

A distribution partnership with AP (Associated Press) has seen all our video content reach an even larger international customer base. A PA-branded area on the AP Video Hub now provides customers access to a mix of our newsroom-ready rough cuts and consumer-ready edited packages.

The coming months offer exciting possibilities for new products in growing areas like voice-commanded devices and machine readable content. We are currently exploring commercial opportunities with voice-activated products like the Amazon Echo, and similar services coming to market from Google and others.

Across our editorial services, we embarked on a programme of work to repackage our entire product set and advance our "digital first" approach to creating and delivering content to existing and future customers.

We began the transformation of our delivery process to customers with the launch of an enriched feed which brings together the best of PA's text, pictures, video, social and graphics. Accessible through a new portal 'Explore:PA', the feed currently features a selection of our news, sport, Real Life and motoring services.

In 2016 we began developing a new content management system to give our journalists the tools to create rich multimedia stories across all our services. Intended to transform the way we work as a company, the project is a cross-collaboration between several departments including Product Development, Editorial, Commercial and Marketing, to create content creation tools and a new suite of products for our customers.

Another year of world-leading journalism

It has never been more important to provide fast, fair and accurate news, and in a constantly challenging environment for journalists, it is vital that we remain committed champions of a free and independent press. As such we have made clear our opposition to Section 40 of the Crime and Courts Act, and reiterated our commitment to the regulator Ipso (the Independent Press Standards Organisation).

2016 was an especially eventful year for news, defined by large set piece events which took months of planning to deliver, and an unpredictable and rapidly shifting news agenda which saw PA's editorial teams really come to the fore.

The European Union (EU) referendum campaign and its aftermath represented a triumph in planning and execution for PA's editorial teams. Our overnight results gathering operation was complemented by extensive reporting, pictures, graphics and regularly updated video. PA's coverage was widely used, and brought us a range of new customers including German publication *Handelsblatt* and the global investment, trading and technology firm, Susquehanna International Group (SIG).

The complicated fallout from the Brexit vote – party leadership elections, the departure of one Prime Minister and appointment of another, and early planning towards taking the UK out of the EU – meant the news agenda never stopped across the summer. It also reiterated the value of our range of specialist correspondents, at a time when many newsrooms are reducing the numbers of theirs.

The next 12 months and beyond will no doubt see a major focus on the politics and the economics of the Brexit process. In addition to serving our media customers with the latest developments, the introduction of a new daily 'Brexit Briefing' newsletter will enable subscribers across a range of sectors to make informed decisions as the UK navigates its way out of the EU.

UKIP leader Nigel Farage celebrates the referendum result at the Leave.EU party in London.

Sourcing exclusive stories remained a priority for our news teams and we again witnessed the power of Freedom of Information (FOI) legislation to create agenda-setting firsts. Notable examples came from our Health correspondent, Jane Kirby, whose revelations on the cost of hospital parking and the financial impact of health tourism on the NHS – to cite just two – led to blanket headlines and prompted follow ups, letters pages, TV & radio debates and Twitter polls for days afterwards.

The Royal family remains a major draw for customers in the UK and overseas. Coverage highlights during the year included the 90th birthday celebrations of Her Majesty The Queen, and the Duke and Duchess of Cambridges' tour of India and Bhutan, as well as their visit to Canada with their children, Prince George and Princess Charlotte.

Our coverage of all these stories, and more, was enhanced by our respected team of photographers who continue to be granted privileged access to the most high-profile events and personalities, producing images that enrich a variety of news outlets on a daily basis.

Dominic Lipinski was the only photographer present at The Queen's first meeting with Theresa May following her appointment as Prime Minister. Elsewhere, our Chief Political Photographer Stefan Rousseau was installed in Number 10 before the new Premier, resulting in his widely-used image of Mrs May entering her new official residence for the first time. Veteran Royal Photographer John Stillwell was the only lensman invited to join the Duke and Duchess of Cambridge on their first family ski trip, producing iconic photos which were published around the world.

In Sport, we covered in great detail three of the biggest events of the year – the UEFA European Championships in France, the Olympic Games in Rio and the Ryder Cup in Minnesota – while providing continuous updates on a range of stories including Sam Allardyce's brief reign as England football manager, the football child abuse allegations, and Leicester City FC being crowned Premier League Champions.

While in Rio, our chief sports reporter Matt Slater made appearances – via a Globelynx camera – on a number of other media outlets to provide expert commentary on Olympics headlines such as the infamous green diving pool, US athlete Michael Phelp's dominance in the swimming events, and the ticket scandal which engulfed various officials.

We continued to strengthen the news operation with two key appointments during the year; Ravender Sembhy joined the team as City Editor and Stephen Jones replaced Darren Waters as Social Media Editor.

Under Ravender's leadership, we have raised the profile of the City Desk with regular exclusives – including an FOI revelation on the cost of the Bank of England's summer party – and by routinely landing interviews with chief executives of FTSE 100 companies. Our reporters are out of the office far more often, and awareness of PA in City circles has grown as a result. The next step will be the launched of an enriched City feed for our digital customers next year.

Stephen Jones has built on PA's strategy to place social media at the heart of the newsroom, as a vital tool for gathering and publishing news. Initiatives during the year included a tie-up with Twitter for the launch of the EU Referendum Data Hub which tracked online conversations over the course of the referendum campaign. We ended the year with significant increases in our social media following, with our main @ PA account up 141% to 91,800 followers and our Facebook page up 772% to 66,946.

In terms of new developments, we are exploring automated reporting, to see if this approach can offer us additional content that has value for our customers. Areas we are considering include financial market reports, horse racing form and non-league football.

Training and Development

Mark Wray – formerly Head of Training at the BBC Academy – joined PA Training as Managing Director. Increased demand for our NCTJ-accredited courses has also led us to develop an additional training centre in our London headquarters. At present, we are seeking to open new training centres in North West England and the Midlands in the coming months, following the end of our lease at the Trinity Mirror building in Newcastle.

We continue to run a variety of training sessions for our editorial teams, many of them in partnership with PA Training. Amid a surge in 'fake news', we rolled out training across the newsroom on verification and spotting hoaxes. New additions to the team completed the online course which we developed last year on Ipso's Editors Code of Practice. In addition, we offered courses in newsgathering on a smartphone, data journalism and reporting statistics, as well as refresher sessions on taking pictures and shooting video for our reporters on a rolling basis.

The editorial trainee scheme continues to bring more digital natives into the newsroom and provide budding journalists with detailed training in all key areas of the job. We took on five trainees in the summer of 2016, including one through our scheme for applicants from socially and ethnically diverse backgrounds. Another applicant through the bursary scheme began their 18-month traineeship in January 2017.

Looking ahead to 2017

We enter 2017 with positive prospects for further diversifying the business while maintaining a focus on providing customers with high quality and relevant content. We will continue in our strategy to acquire and invest in businesses that fit into our portfolio in order to broaden our revenue base. The rollout of a new content management system in 2017 will consolidate the delivery of all our services for digital and print customers, and introduce new products that integrate our content across words, pictures, graphics, video and social media.

Clive Marshall
Chief Executive

Mo Farah and Leicester City FC celebrate their respective victories at the Olympic Games and Premier League Championships.

PA TRUST'S STATEMENT

The PA Trust monitors the editorial standards of the news agency to ensure that they are maintained at the highest level. The independent trustees believe there has never been a time when trust in the media has been more threatened, and more needed.

PA's long history of delivering news in a fast, fair and accurate manner is fundamental to its reputation and commercial success. The last year has brought new threats, such as 'fake news'. PA, providing a news and information service across all media, traditional and new, must hold on to its traditional values in the most testing of times. The trustees have not found PA wanting.

The three trustees meet the Editor-in-Chief and the Newswire Editor three times a year and receive detailed reports on editorial matters, including content generation and distribution, staffing, technical development, training and legal and regulatory issues. These meetings are always informative and trustees' questions are dealt with in an open and transparent way that is indicative of the culture of the organisation.

The Editor-in-Chief, or his delegate, sends a weekly bulletin to editorial staff detailing his own activity, keeping staff up to speed with developments at PA and reviewing the past week's achievements. It could not be less 'managerial' or more inclusive and is an exemplar of internal communication which must do much for staff morale.

PA is regulated by Ipso (the Independent Press Standards Organisation) and the Editors' Code it administers. All PA editorial staff are expected to be familiar with the code and to observe it. Regular training, including from the regulator itself, is provided.

An agency service like PA deals with its customers, the publishers – print, broadcast or online – rather than directly with the public, and complaints will normally be made to the publisher or regulator rather than to the agency. However, such is the reputation of PA that publishers are content to rely on its accuracy without further checking. This means that when a PA story is the subject of a complaint the publisher may refer to PA who are thus, one removed, associated.

PA was involved in two complaints to Ipso last year. One was against the *Telegraph* website and involved the publication of PA pictures of the baby child of Andy Murray, the tennis player, and his wife Kim. PA was not named in the complaint but as supplier of the pictures (which were published in other newspapers and online) supported the *Telegraph*. Intrusion into the complainant's private and family life was alleged. Ipso rejected the complaint, accepting that the PA photographer at Wimbledon did not leave his assigned area and did not get close to mother and pram, which were in a public area.

The other complaint to Ipso, involving an inquest covered by PA, was later withdrawn by the complainant. The trustees are reassured that no complaints involving PA were upheld by Ipso in 2016 and that newsroom quality control mechanisms are robust. No serious complaints direct to PA were logged over the year.

However the Editor-in-Chief has made clear to the trustees the seriousness with which he regards verification – of sources and of facts. This is a matter of widespread media concern. For PA, supplying news to so many publishers, it is even more so. Like them, it uses social media such as Facebook and Twitter to source information, quotes and pictures. PA accepts the vital need for verification that these sources are what they claim to be, and that information and quotation contained is authentic. This is a relatively new problem, and the trustees intend to pay it more attention in the coming year. So far they are impressed with the efforts being made at PA.

Training is embedded in the PA culture, whether it is retraining, refreshing, or equipping journalists to use new systems and equipment, to exploit video and social media, to understand data journalism, of which PA is increasingly making use, or to exploit Freedom of Information law. The trustees are impressed by the clear desire of PA to include all staff in training opportunities. The gains in the quality of its output and the speed of response to customer demands for 'smarter' products are evident.

Alongside internal training and professional development PA has a reputation for offering opportunities for young aspiring journalist trainees. It has taken on 13 trainees over the last two years, including three through PA's bursary scheme for ethnically and socially diverse candidates which is backed by the Journalism Diversity Fund. Trainees passing the various tests and exams are interviewed for staff jobs with PA.

Peter Cole

Chairman of the PA Trust

BOARD OF DIRECTORS

Executive Directors

Clive Marshall

Group Chief Executive
Reappointed to the Board in 2010
Originally joined PA Group in 1993

Ed Ethelson

Chief Financial Officer
Appointed to the Board in 2014
Joined PA Group in 2014

Andrew Dowsett

Chief Operating Officer
Appointed to the Board in 2011
Joined PA Group in 2010

Tony Watson

Managing Director, Press Association
Appointed to the Board in 2007
Joined PA Group in 2003

Non-Executive Directors

Murdoch MacLennan
Chairman
Nominations Committee
Remuneration Committee
Rejoined the Board in 2010
Chief Executive, Telegraph Media Group Ltd

Dominic Fitzpatrick

Nominations Committee
Remuneration Committee
Joined the Board in 2014
Managing Director, Irish News Limited

Geraldine Allinson

Nominations Committee
Audit Committee
Joined the Board in 2015
Chairman of the KM Group

Simon Fox

Nominations Committee
Audit Committee
Joined the Board in 2012
Chief Executive, Trinity Mirror plc

Kevin Beatty

Nominations Committee
Remuneration Committee
Joined the Board in 2004
Chief Executive, DMG Media Limited

Tim Cobbold

Nominations Committee
Joined the Board in 2016
Chief Executive, UBM plc

Rebekah Brooks

Nominations Committee
Rejoined the Board in 2015
Chief Executive, News UK

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2016.

REVIEW OF BUSINESS

2016 saw a return to revenue growth with continiuing declines in tradional media revenues more than offset by revenues sourced from the non-media corporates. Operating profit improved on prior year as the Group remained focussed on making efficiencies.

Turnover from continuing operations of £57.8m was 0.4% higher than 2015, with declines from traditional sources, albeit more than offset by growth in the Data business. Operating profit was £3.1m and operating profit from continuing operations before goodwill amortisation of £4.9m was 25% higher than 2015.

Further detail is provided in the Chairman's Statement and the Chief Executive's Statement on pages 2 to 6.

KEY PERFORMANCE INDICATORS

The Group targets a 5% increase in trading profit on budget. In respect of 2016 the Group achieved this KPI. The KPI was also met in 2015.

The Group doesn't issue KPI's of a non-financial nature.

RISK MANAGEMENT AND MITIGATION

Financial risks are actively managed on a Group basis and mitigated by hedging transactions where appropriate. Three specific risks are referenced below.

Customer credit is a risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and for many customers there is a dependency on an ongoing service.

The Group has cash on deposit and the Group has ensured that the funds are held in a spread of money market funds and institutions.

The Group operates a defined benefit pension scheme which is now closed. The Group has agreed a long term plan with the trustees to provide certainty for the group in terms of annual funding requirement and is targeting a full buyout over time to remove all liabilities from the Group.

Non-financial risks, such as business continuity and staff retention, are managed by each business unit with risk registers maintained and regularly reviewed to ensure all key risks are adequately mitigated.

The principle non-financial risks identified through this process relate to reputational damage (particularly for News services) and technical failure (and its impact on services). Reputational exposure is managed through the workflow and approval processes and the controls referenced by the PA Trust. The Group regularly reviews the nature of the technology and ensures the best solutions are deployed to mitigate the risk.

By order of the Board.

Stephen Godsell
Company Secretary
24 March 2017

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2016.

FUTURE DEVELOPMENTS

The future developments of the Group are included within the Chairman's Statement and Chief Executive's Statement on pages 2 to 6.

FINANCIAL RISK MANAGEMENT

The financial risk management policies of the Group are included within the Strategic Report on page 9.

RESULTS AND DIVIDEND

The profit for the financial year was £1,771,000 (2015: £1,106,000). No Interim dividends (2015: £20,000,000) were approved and paid in the year. The resulting retained loss of £21,778,000 has been transferred to reserves (2015: £4,946,000 profit).

DIRECTORS

The following were Directors of the Company during the year and up to the date of signing the financial statements:

- Ms G Allinson
- Mr KJ Beatty
- Ms R Brooks
- Mr T Cobbold (appointed 26 May 2016)
- Mr AJ Dowsett
- Mr E Ethelston
- Mr S Fox
- Mr DJ Fitzpatrick
- Mr M MacLennan
- Mr CP Marshall
- 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. Staff are also involved, through their elected representatives, in the conduct of the Group's defined benefit pension scheme.

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. Adjustments are made for staff who become disabled whilst employed by the Group in order for them to continue in their current role. Where this is not possible the Group will try to find an alternative solution and staff are also assisted in applying for other suitable alternative roles within the Group.

Copies of the annual report are made available to all employees.

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 prepared the Group and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The financial reporting standard applicable in the UK and Republic of Ireland'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and 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.

DISCLOSURE OF INFORMATION TO AUDITOR

As far as each Director is aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

INDEPENDENT AUDITORS

Grant Thornton UK 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.

Stephen Godsell
Company Secretary
24 March 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PA GROUP LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of PA Group Limited for the year ended 31 December 2016 which comprise the group statement of income and retained earnings, the group and parent company statement of financial position, the group statement of cash flows, the group and parent company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'the Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mark Henshaw (Senior Statutory Auditor)
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
24 March 2017

GROUP STATEMENT OF INCOME & RETAINED EARNINGS

for the year ended 31 December

	Notes	2016 Total £000	2015 Total £000
Turnover	2	57,846	57,612
Other operating income		627	730
	4	58,473	58,342
Staff costs		(32,722)	(32,505)
Depreciation and amortisation		(5,039)	(4,933)
Other operating charges		(17,658)	(18,789)
Total operating profit before goodwill amortisation		4,948	3,904
Goodwill amortisation		(1,894)	(1,789)
Operating profit	3	3,054	2,115
Profit on disposal of freehold property		149	-
Interest receivable and similar income	6	265	268
Interest payable and similar charges	6	(13)	-
Other finance charges	6	-	(143)
Profit on ordinary activities before tax	2	3,455	2,240
Tax on profit on ordinary activities	7	(1,469)	(980)
Profit on ordinary activities after tax		1,986	1,260
Equity minority interest		(215)	(154)
Profit for the financial year		1,771	1,106
Other comprehensive income			
Acquisition of non-controlling interest		(1,848)	-
Actuarial (loss)/gain on pension scheme		(26,406)	4,800
Movement on deferred tax relating to pension liability		4,705	(960)
(Loss)/profit for the financial year and total comprehensive income		(21,778)	4,946
Retained profits at the start of the year		**86,538**	**101,592**
Dividends paid	8	-	(20,000)
Retained profits at the end of the year		64,760	86,538

There is no material difference between the profit on ordinary activities before tax and the profit for the financial years stated above and their historical cost equivalents.

GROUP STATEMENT OF FINANCIAL POSITION
for the year ended 31 December

	Notes	2016 £000	2015 £000
Fixed assets			
Intangible assets	9	10,352	12,246
Tangible assets	10	16,118	18,499
Investments	11	24,280	23,105
		50,750	53,850
Current assets			
Debtors	12	17,430	10,356
Cash at bank and in hand		41,410	39,826
		58,840	50,182
Creditors: amounts falling due within one year	13	(13,885)	(12,111)
Net current assets		44,955	38,071
Total assets less current liabilities		95,705	91,921
Provisions for liabilities	15	(2,880)	(1,453)
Net assets excluding pension (liability)/asset		92,825	90,468
Pension liability/(asset)	21	(20,100)	4,265
Net assets including pension (liability)/asset		72,725	94,733
Capital and reserves			
Called up share capital		7,965	7,965
Profit and loss account		64,760	86,538
Total shareholders' funds		72,725	94,503
Minority interest		-	230
Capital employed		72,725	94,733

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's loss for the year was £2,446,000 (2015: profit £17,781,000).

These financial statements on pages 12 to 33 were approved by the Board on 23 March 2017 and signed on their behalf by

Clive Marshall
Chief Executive

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December

Company registration number 4197

	Notes	2016 £000	2015 £000
Fixed assets			
Tangible assets	10	10,733	11,171
Investments	11	59,823	57,664
		70,556	68,835
Current assets			
Debtors	12	355	159
Cash at bank and in hand		30,235	30,126
		30,590	30,285
Creditors: amounts falling due within one year	13	(57,250)	(53,875)
Net current liabilities		(26,660)	(23,590)
Total assets less current liabilities		43,896	45,245
Provisions for liabilities	15	(2,300)	(1,203)
Net assets		41,596	44,042
Capital and reserves			
Called up share capital		7,965	7,965
Profit and loss account		33,631	36,077
Total shareholders' funds		41,596	44,042

These financial statements on pages 12 to 33 were approved by the Board on 23 March 2017 and signed on their behalf by

Clive Marshall
Chief Executive

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December

	Notes	2016 £000	2015 £000
Cash (outflow)/inflow from operating activities			
Operating profit		3,054	2,115
Adjustments for:			
Goodwill and trademark amortisation	9	1,894	1,790
Depreciation charge	10	3,145	3,142
Loss on disposal of fixed assets (excluding freehold property)	3	-	13
Increase in provisions		1,427	304
Difference between pension charge and cash contributions		1,891	(1,239)
(Increase) / decrease in debtors		(7,267)	41,106
Increase / (decrease) in creditors		1,133	(3,251)
Cash from operations		5,277	43,980
Tax paid		(35)	(105)
Net cash flow from operating activities		5,242	43,875
Cash flows from investing activities			
Payments to acquire tangible fixed assets	10	(985)	(1,369)
Receipt from sale of tangible fixed assets		369	37
Purchase of subsidiaries/non-controlling interests	18	(2,063)	(1,829)
Purchase of other fixed asset investments	11	(1,175)	(10,101)
Interest received		265	268
Net cash flow from investing activities		(3,589)	(12,994)
Cash flows from financing activities			
Interest paid		(13)	-
New finance lease obligation		173	-
Dividends paid		(229)	(20,185)
Net cash flow from financing activities		(69)	(20,185)
Net increase in cash and cash equivalents		1,584	10,696
Cash and cash equivalents at the beginning of the year		39,826	29,130
Cash and cash equivalents at the end of the year		41,410	39,826

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

	Called up Share Capital £000	Profit and Loss Account £000	Total £000
At 1 January 2015	7,965	101,592	109,557
Profit for the year	-	1,106	1,106
Dividends paid	-	(20,000)	(20,000)
Actuarial loss recognised on pension scheme	-	4,800	4,800
Movement in deferred tax on pension scheme	-	(960)	(960)
At 31 December 2015	7,965	86,538	94,503
Profit for the year	-	1,771	1,771
Acquisition of non-controlling interest (note 19)	-	(1,848)	(1,848)
Actuarial loss recognised on pension scheme	-	(26,406)	(26,406)
Movement in deferred tax on pension scheme	-	4,705	4,705
At 31 December 2016	7,965	64,760	72,725

There is only one class of ordinary share, any share transfer requires board approval and there are pre-emption rights in place.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

	Called up Share Capital £000	Profit and Loss Account £000	Total £000
At 1 January 2015	7,965	38,296	85,280
Profit for the year	-	17,781	17,781
Dividends paid	-	(20,000)	(20,000)
At 31 December 2015	7,965	36,077	44,042
Loss for the year	-	(2,446)	(2,446)
At 31 December 2016	7,965	33,631	41,596

There is only one class of ordinary share, any share transfer requires board approval and there are pre-emption rights in place.

ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

BASIS OF CONSOLIDATION

The group financial statements consolidate the financial statements of PA Group Limited and all its subsidiary undertakings drawn up to 31 December each year.

The individual accounts of PA Group Limited have also adopted the following disclosure exemptions:
a) the requirement to present a statement of cash flows and related notes
b) financial instrument disclosures, including:

- categories of financial instruments
- items of income, expenses, gains or losses relating to financial instruments
- exposure to and management of financial risks.

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting judgements and estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The provisions held at 31 December 2016 include deferred consideration on the purchase of 25% in the Baize Group Ltd and potential dilapidations charges on property. The directors have calculated the provision using expected completion costs at the year end as per discussions with the relevant parties. It is anticipated that these provisions will be fully utilised by the end of 2017.

The Directors can demonstrate that continuing to amortise some elements of goodwill over 20 years is a consistent and prudent approach and have continued to do so.

GOING CONCERN

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

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 between 3 and 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.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost of acquisition less accumulated depreciation.

The cost of tangible fixed assets includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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

• Freehold property	2%
• Long leasehold property	lease period
• Computers and other office equipment	5% - 50%

Freehold land is not depreciated.

ACCOUNTING POLICIES

FIXED ASSET INVESTMENTS

Investments comprise investments in unquoted equity instruments or cash in escrow which are measured at fair value. Changes in fair value are recognised in profit or loss. Fair value is estimated by using a valuation technique.

a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

b) Restricted funds

Fixed asset investments include cash held by the Group and Company in escrow to meet potential future pension liabilities. The funds are not accessible by the Group without Trustee approval.

The Company operates one defined benefit scheme in the UK, namely the Press Association Pension Fund (1992). As at each triennial valuation, by Lane Clark & Peacock Actuaries, on-going funding contributions are agreed. At the latest valuation, £2m per annum until 2024 was agreed with the Trustees of the fund.

The Group has agreed a long term plan with the trustees to provide certainty for the group in terms of annual funding requirement and is targeting a full buyout over time to remove all liabilities from the Group.

c) Associates

Investments in associates are recognised initially in the consolidated statement of financial position at the transaction price and, if material, subsequently adjusted to reflect the group's share of total comprehensive income and equity of the associate, less any impairment.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the associate. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method. Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

Investments in associates are accounted for at cost less impairment in the individual financial statements.

The groups share of the Baize Group Limited profit in 2016 was £45,000. This has not been recognised in the group financial statements due to materiality.

There was no material goodwill recognised on the purchase of the 25% investment in Baize Group Limited.

The directors consider the carrying value of the investment to be a true and fair value.

IMPAIRMENT OF ASSETS

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

DEBTORS

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

CREDITORS

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

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

ACCOUNTING POLICIES

PROVISIONS

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

TAX

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and

- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

TURNOVER

Turnover comprises invoiced revenue and subscriptions net of value added tax arising on the sales of:

- News and information services
- Photo syndication and other picture services

Revenue is recognised as services are provided to customers or over the life of the individual project. Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currency are translated into sterling at the exchange rates ruling at the end of the financial period. Exchange differences arising from the restatement of the net investment in overseas joint ventures are taken directly to reserves. All other currency differences are dealt with in the profit and loss account.

DIVIDENDS

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

PENSIONS

The Group operates a defined benefit scheme which has now been closed to future accrual, 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 operates two defined contribution schemes, one for staff who previously participated in the defined benefit scheme and the second for staff who did not previously participate in the defined benefit scheme. For these defined contribution schemes, the amounts charged to the profit and loss account are the contributions payable in the period.

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

2 SEGMENTAL REPORTING

	2016 £000	2015 £000
GEOGRAPHICAL ANALYSIS		
Turnover		
United Kingdom	52,499	53,622
Rest of Europe	1,955	1,536
Rest of World	3,392	2,454
Total	57,846	57,612
Profit before tax		
United Kingdom	2,972	1,348
Rest of Europe	266	704
Rest of World	217	188
Total	3,455	2,240
BUSINESS ANALYSIS		
Turnover		
Press Association	57,846	57,612
Total	57,846	57,612
Profit before tax		
Press Association	6,774	5,248
Central items	(3,319)	(3,008)
Total	3,455	2,240
Net assets, including pensions liability		
Press Association	11,536	32,461
Central assets	61,189	62,272
Total	72,725	94,733

The geographical analysis is based on the country in which the customer is located. The business analysis materially represents the country of service origin.

Central net assets comprise the Company assets and liabilities, excluding investments and amounts due to and from subsidiaries which have been eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

3 OPERATING PROFIT

	2016 £000	2015 £000
Operating profit is stated after charging/(crediting):		
Operating lease rentals:		
- land and buildings	157	167
- plant and machinery	178	236
Auditors remuneration	55	52
Amortisation of goodwill (note 9)	1,894	1,789
Amortisation of trademarks (note 9)	-	1
Depreciation of tangible fixed assets (note 10)	3,145	3,142
(Profit)/loss on disposal of fixed assets	(150)	13
Property income	(623)	(713)

Amortisation of goodwill of £1,894,000 (2015: £1,789,000) relates to subsidiary undertakings.

PAYMENTS TO AUDITORS

	2016 £000	2015 £000
Fees payable to the Company's auditor for the audit of Parent Company and consolidated financial statements	13	12
Fees payable to the Company's auditor and its associates for other services:		
- The audit of Company's subsidiaries	42	40
- All other non-audit services	173	35

The PA Group changed auditors in 2015 moving from PricewaterhouseCoopers LLP to Grant Thornton UK LLP. PricewaterhouseCoopers remain auditors of the Press Association Pension Fund (1992).

4 STAFF COSTS AND EMPLOYEE INFORMATION

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Wages and salaries	28,504	28,292	2,536	2,752
Social security costs	2,818	2,773	197	194
Other pension costs – defined contribution	1,400	1,440	110	174
	32,722	32,505	2,843	3,120

	Group 2016 Number	Group 2015 Number	Company 2016 Number	Company 2015 Number
Average monthly number of directors and staff employed during the year were:				
Press Association	766	796	-	-
Central management	5	5	5	5
	771	801	5	5

5 DIRECTORS EMOLUMENTS

	2016 £000	2015 £000
Group emoluments of the Company's Directors:		
Aggregate emoluments all relating to continuing activities	1,345	1,294
Aggregate amounts receivable under long-term incentive schemes	964	359
Defined contribution pension payments	17	65
Sums paid to third parties for Director's services	84	75
	2,410	1,793

Amounts in respect of the highest paid Director:		
Aggregate emoluments all relating to continuing activites	550	534
Amounts receivable under long-term incentive schemes	470	176
Defined contribution pension payments	10	40
	1,030	750

Retirement benefits are accruing to one Director (2015: one) under a defined benefit scheme and three Directors (2015: three) under defined contribution schemes.

There are no other Key Management Personnel than the Group Directors.

6 INTEREST AND SIMILAR ITEMS

	2016 £000	2015 £000
Interest receivable on bank deposits	265	268
Total finance income	265	268
Finance lease interest	(13)	-
Other finance charges - interest charge imputed on deferred consideration payable	-	(143)
Total finance costs	(13)	(143)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2016 £000	2015 £000
Current tax:		
UK corporation tax at 20% (2015: 20.25%)	452	-
Overseas tax	55	42
Total current tax	507	42
Deferred tax:		
Origination & reversal of timing differences	683	864
Effect of tax rate change on opening balance	279	22
Adjustments in respect of prior years	-	52
Total deferred tax	962	938
Tax charge on profit on ordinary activities	1,469	980

The tax for the year is higher (2015: higher) than the standard rate of corporation tax in the UK. The differences are explained below.

	2016 £000	2015 £000
Profit on ordinary activities before tax	3,455	2,240
At standard rate of corporation tax of 20% (2015: 20.25%)	691	454
Effects of:		
Income not taxable	-	(98)
Expenses not tax deductible	377	337
Foreign tax credits	47	26
Depreciation on ineligible fixed assets	150	174
Effects of rates on changes on deferred tax	231	20
Deferred tax not recognised	(27)	18
Pension scheme payments in excess of pension charge	-	(3)
Adjustments in respect of prior years	-	52
	1,469	980

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015 and remained at 20% through 2016. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 20% (2015: 20.25%).

8 DIVIDENDS

	2016 £000	2015 £000
Dividends approved and recognised in the year:		
Equity dividends:		
Interim dividend £Nil per share (2015: £2.511 per share)	-	20,000

9 INTANGIBLE FIXED ASSETS

	Goodwill £000	Trademarks £000	Total £000
GROUP			
Cost:			
At 1 January 2016	30,379	11	30,390
At 31 December 2016	30,379	11	30,390
Accumulated amortisation:			
At 1 January 2016	18,140	4	18,144
Charge for the year	1,894	-	1,894
At 31 December 2016	20,034	4	20,038
Net book amount:			
At 31 December 2016	10,345	7	10,352
At 31 December 2015	12,239	7	12,246

NOTES TO THE FINANCIAL STATEMENTS

10 TANGIBLE FIXED ASSETS

	Freehold Property £000	Long leasehold Property £000	Computers and other office equipment £000	Total £000
GROUP				
Cost:				
At 1 January 2016	16,101	207	29,485	45,793
Additions at cost	-	-	985	985
Eliminated on disposal	(299)	-	(2,549)	(2,848)
At 31 December 2016	15,802	207	27,921	43,930
Accumulated depreciation:				
At 1 January 2016	4,963	207	22,124	27,294
Charge for the year	216	-	2,929	3,145
Eliminated on disposal	(93)	-	(2,534)	(2,627)
At 31 December 2016	5,086	207	22,519	27,812
Net book amount:				
At 31 December 2016	10,716	-	5,402	16,118
At 31 December 2015	11,138	-	7,361	18,499

Computers and other office equipment with a carrying value of £155,000 (2015: Nil) are held under finance leases.

	Freehold Property £000	Long leasehold Property £000	Computers and other office equipment £000	Total £000
COMPANY				
Cost:				
At 1 January 2016	16,101	-	110	16,211
Additions at cost	-	-	1	1
Eliminated on disposal	(299)	-	(3)	(302)
At 31 December 2016	15,802	-	108	15,910
Accumulated depreciation:				
At 1 January 2016	4,963	-	77	5,040
Charge for the year	216		14	230
Eliminated on disposal	(93)	-	-	(93)
At 31 December 2016	5,086	-	91	5,177
Net book amount:				
At 31 December 2016	10,716	-	17	10,733
At 31 December 2015	11,138	-	33	11,171

During 2014 the company granted a first legal charge in favour of the Press Association Pension Fund (1992) over its freehold interest in property at 292 Vauxhall Bridge Road, London.

NOTES TO THE FINANCIAL STATEMENTS

11 FIXED ASSET INVESTMENTS

	Group £000	Company £000
Cost:		
At 1 January 2015	23,105	96,785
Additions	1,175	2,159
At 31 December 2016	24,280	98,944
Provision against cost of investment:		
At 1 January 2016 and 31 December 2016	-	39,121
Net book amount:		
At 31 December 2016	24,280	59,823
At 31 December 2015	23,105	57,664

	Group £000	Company £000
Total fixed asset investents comprise:		
Interest in subsidiaries	-	36,622
Interest in associates	879	-
Other fixed asset investments	23,401	23,201
At 31 December 2015	24,280	59,823

Other fixed asset investments include £23,201,000 (2015: £23,105,000) cash held in escrow to meet potential future pension liabilities. The additions in 2016 include interest accrued on the escrow cash.

The Directors believe that the carrying values of investments in all other subsidiaries are supported by their underlying net assets or discounted future cash flows.

The subsidiary undertakings of the Group are as follows:

COMPANY	ACTIVITY	GROUP INTEREST IN ORDINARY SHARES AND VOTING RIGHTS	COUNTRY OF INCORPORATION
The Press Association Limited	News, sport and entertainment information	100%	England & Wales
Sticky Content Limited	Digital copywriting and content strategy agency	100% (i)	England & Wales
PA News Investments Limited	Non trading investment holding company	100%	England & Wales
PA Photos Limited	Photo syndication	100% (ii)	England & Wales
DEF Limited	Non trading holding company	100% (ii)	England & Wales
The Scottish Press Association Limited	Dormant	100% (ii)	Scotland
Globelynx Limited	TV Camera Network	100% (iii)	England & Wales
The Press Association of Ireland Limited	News and sport information	100% (iv)	Ireland
PA Information Services India Private Limited	Management of data processing	100% (iv)	India

(i) The final 20% of Sticky Content Limited was purchased by the company, PA Group Limited, in 2016.
(ii) The shares in these companies are held by The Press Association Limited.
(iii) The shares in this company are held 50% by The Press Association Limited and 50% by DEF Limited (a non-trading holding company which is 100% owned by The Press Association Limited).
(iv) The shares in these companies are held by PA News Investments Limited.

The associate undertakings of the Group are as follows:

COMPANY	ACTIVITY	GROUP INTEREST IN ORDINARY SHARES AND VOTING RIGHTS	COUNTRY OF INCORPORATION
Baize Group Limited	Motoring editorial, events and PR services	25%	England & Wales

12 DEBTORS

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade debtors	10,268	7,472	-	-
Other debtors	192	185	-	-
Prepayments and accrued income	2,620	2,088	61	33
Corporation tax recoverable	106	110	-	-
Deferred tax asset (note 14)	4,244	501	294	126
	17,430	10,356	355	159

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade creditors	1,605	773	-	-
Amount owed to subsidiary undertakings	-	-	56,216	52,792
Other taxation and social security	2,523	2,194	25	154
Corporation tax	468	-	212	-
Other creditors	37	171	1	3
Accruals and deferred income	9,079	8,973	796	926
Finance lease	173	-	-	-
	13,885	12,111	57,250	53,875

Amounts owed to subsidiary undertakings are unsecured, interest free and have no fixed repayment date. These amounts were incurred through normal trading and are held at their indirect cost price.

14 DEFERRED TAX ASSET

	Group £000	Company £000
At 1 January 2016	501	126
Transfer (to)/from profit and loss account	(962)	168
Pension scheme liability movements	4,705	-
At 31 December 2015	4,244	294

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
The deferred tax asset comprises:				
Fixed asset timing differences	182	800	148	(27)
Other timing differences	4,062	(299)	146	153
	4,244	501	294	126

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 a tax rate of 17.67% (2015: 20%), being the tax rate that is expected to apply in the years in which timing differences are expected to reverse, based on tax rates and laws substantively enacted at the balance sheet dates.

A deferred tax asset resulting from UK tax losses carried forward has not been recognised due to uncertainty around the amount and timing of future taxable profits. The total amount unprovided for is £2,000,000 (2015: £2,400,000).

NOTES TO THE FINANCIAL STATEMENTS

15 PROVISIONS FOR LIABILITIES

	Deferred consideration £000	Management incentive plans £000	Other £000	Total £000
GROUP				
At 1 January 2016	-	1,203	250	1,453
Additions in the year	306	-	24	330
Charged to profit and loss account	-	1,097	-	1,097
At 31 December 2016	306	2,300	274	2,880
COMPANY				
At 1 January 2016	-	1,203	-	1,203
Charged to profit and loss account	-	1,097	-	1,097
At 31 December 2016	-	2,300	-	2,300

A long-term incentive plan was set up in 2013 to reward PA Group Limited Executive Directors by paying them a bonus related to the cumulative performance over the period from 1 January 2013 to 31 December 2015. This plan was curtailed following the disposal of MeteoGroup with final payments to be made in 2015 based on the 2013 performance. The final payment under this arrangement was made in 2015.

A second long-term incentive plan was set up in 2014 to reward PA Group Limited Executive Directors by paying them a bonus related to the cumulative performance over the period from 1 January 2014 to 31 December 2016. Payments will be made under this scheme in 2017 and 2018. The provision at the year end in respect of this arrangement was £2,300,000.

Other provisions for liabilities relate to potential dilapidation charges on property. It is anticipated that these provisions will be fully utilised by the end of 2017.

16 CALLED UP SHARE CAPITAL

	2016 £000	2015 £000
7,965,000 (2013: 7,965,000) ordinary shares of £1 each allotted and fully paid	7,965	7,965

Authorised share capital in both years was £8,000,000 ordinary shares of £1 each.

NOTES TO THE FINANCIAL STATEMENTS

17 FINANCIAL COMMITMENTS

	2016 £000	2015 £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	38	79
One to five years	119	88
	157	167
Motor vehicles and equipment, leases expiring:		
Within one year	45	27
One to five years	133	159
	178	186
Capital expenditure contracted for but not provided	335	298

At the 31 December 2015 the Group had entered into forward foreign exchange contracts to sell €47.5m Euros in March 2015 at a rate of €1.2097/£. No such contracts were in place at 31 December 2016.

18 ACQUISITION OF NON-CONTROLLING INTEREST

On 6 June 2016 the Group acquired the remaining 20% of the share capital of Sticky Content Limited for a cash consideration of £2,063,000 (note 11).

19 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under FRS 102 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 £Nil (2015: £3,000) was recharged to the scheme. At 31 December 2016 £36,000 (2015: £Nil) was owed by the scheme to the Group in relation to expenses paid on the funds behalf.

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.

20 FINANCIAL INSTRUMENTS

	Notes	2016 £000	2015 £000
The Group has the following financial instruments:			
Financial assets measured at amortised cost:			
Cash at bank and in hand		41,410	39,826
Trade debtors	12	10,268	7,472
Other debtors	12	192	185
Accrued income		952	659
		52,822	48,142
Financial liabilities measured at amortised cost:			
Trade creditors	13	1,605	773
Other creditors	13	37	171
Accruals		3,184	3,346
Finance lease	13	173	-
Deferred consideration	15	306	-
Management incentive plans	15	2,300	1,203
Onerous lease	15	274	250
		7,879	5,743

The Group does not hold any financial assets or financial liabilities which are carried at fair value through profit or loss.

21 PENSIONS

The Group operates a mixed benefit pension scheme, the Press Association Pension Fund (1992). Defined benefit pension accrual ceased on 30 June 2010 for all members and a defined contribution section to the Fund was created to provide future pension benefits from 1 July 2010. 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 Press Association Pension Fund (1992). Total employer contributions to the defined contribution schemes for the year were £1,400,000 (2015: £1,440,000), and at the year end no employer contributions were due to the scheme but unpaid.

The following disclosures relates to the defined benefit section of the Press Association Pension Fund (1992).

The Company operates one defined benefit scheme in the UK, namely the Press Association Pension Fund (1992) (the "Fund"). The FRS102 calculations for disclosure purposes have been based on the results of the 31 December 2014 formal actuarial valuation performed by LCP and the 31 December 2014 FRS17 results, updated to 31 December 2015 by a qualified independent actuary. As at each triennial valuation, on-going funding contributions are agreed. At the latest valuation, £2m per annum until 2024 was agreed.

The main assumptions used were:	31 December 2016	31 December 2015	31 December 2014
Price inflation (RPI)	3.50%	3.20%	3.10%
Price inflation (CPI)	2.50%	2.20%	2.10%
Discount rate	2.80%	3.90%	3.60%
Pensions increases (LPI)	3.40%	3.20%	3.10%
Life expectancy of male aged 63 in accounting year	24.6 years	24.7 years	24.8 years
Life expectancy of male aged 63 in 20 years after accounting year	26.8 years	27.0 years	27.1 years

Asset distribution and expected return:	31 December 2016		31 December 2015	
	Proportion of total assets %	Fair value £ million	Proportion of total assets %	Fair value £ million
Equities	35.7%	71.2	32.5%	57.7
Index linked gilts	14.6%	29.0	13.1%	23.3
Insured annuities	28.9%	57.4	30.5%	54.1
Diversified Growth Funds	20.7%	41.1	23.2%	41.1
Other	0.1%	0.3	0.7%	1.1
Total		199.0		177.3
Present value of scheme liabilities		219.1		173.1
Surplus/(deficit) in the Scheme		(20.1)		4.2

Over the year to 31 December 2016, contributions by the Group of £2m (2015: £1.5m) were made to the scheme. This included additional contributions of £2m (2015: £1.5m). At 31 December 2016 £23.2m (2015: £23.1m) is in place in an escrow account for the potential future payment into the scheme and in 2014 the Group granted a first legal charge in favour of the scheme over its freehold interest in property at 292 Vauxhall Bridge Road, London. At 31 December 2016, no employer contributions were due to the scheme but unpaid. Following the closure of the defined benefit section of the scheme to future accrual, employer contributions have fallen to 2.5% (2015: 2.5%) of pensionable salaries to cover on-going scheme expenses.

21 PENSIONS (CONTINUED)

Changes in the present value of the scheme liabilities are as follows:	2016 £ million	2015 £ million
1 January	(173.1)	(191.6)
Employer's part of current service cost	-	-
Interest cost	(6.6)	(6.8)
Actuarial gain/(loss) on liabilities	(46.1)	8.9
Experience gain/(loss) on liabilities	-	10.0
Benefits paid	6.7	6.4
31 December	(219.1)	(173.1)

Changes in the fair value of the scheme's assets are as follows:	2016 £ million	2015 £ million
1 January	177.3	189.9
Interest income	6.8	6.8
Actuarial (loss)/gain on assets	19.8	(14.1)
Contributions by the employer	2.1	1.6
Administration expenses	(0.3)	(0.5)
Benefits paid	(6.7)	(6.4)
31 December	199.0	177.3

Scheme assets do not include any of PA Group Limited's own financial instruments or any property occupied by PA Group Limited.

Under new UK GAAP (effective for accounting periods beginning on or after 1 January 2015) the expected return on assets and interest cost item has been replaced with a net interest cost item which is based on the discount rate assumption. Expected employer contributions over the 12 months to 31 December 2017 are approximately £2.0m based on the Schedule of Contributions that was agreed with the Trustees after the 2014 formal actuarial valuation.

The actual return on scheme assets over the year was a positive £26.6m (2015: negative £7.3m).

The amounts recognised within the profit and loss account are as follows:	2016 £ million	2015 £ million
Employer's part of current service cost	-	-
Administration expenses	0.3	0.4
Net interest on (surplus)/deficit	(0.3)	-
Total expense included in the profit and loss account	0.0	0.4

OCI charges for the year are as follows:	2016 £ million	2015 £ million
Return on Fund assets not included in the net interest cost ((gain)/loss)	(19.8)	14.1
Liability experience (gains)/losses	-	(10.0)
Changes in assumptions losses/(gains)	46.2	(8.9)
OCI charge/(credit)	26.4	(4.8)

21 PENSIONS (CONTINUED)

Reconciliation of amount in balance sheet over year:	2016 £ million	2015 £ million
Balance sheet provision at start ((asset) / liability)	(4.2)	1.8
Charged to Profit & Loss account	0.0	0.4
Employer contributions	(2.1)	(1.6)
OCI (credit)/charge	26.4	(4.8)
Balance sheet provision at end (liability / (asset))	20.1	(4.2)

Sensitivities

The sensitivity of the balance sheet position to changes in the assumptions used is as follows (in each case with all other assumptions equal):

- A 0.1% increase (decrease) in the discount rate would increase (decrease) the surplus by around £3m.
- A 0.1% increase (decrease) in the inflation-related assumptions (including salary growth) would decrease (increase) the surplus by around £3m.

These sensitivity figures have been calculated by approximately switching the liabilities using summary characteristics of the membership.

Risks and uncertainties

The key risks in relation to the Press Association Pension Fund (1992) are detailed below.

Asset volatility

The Fund liabilities are calculated using a discount rate set with reference to corporate bond yields; if Fund assets underperform this yield, this will create a deficit. The Fund holds a significant proportion of equity type and growth assets, which are expected to outperform corporate bonds in the long-term while being subject to volatility and risk in the short-term.

Market yields

A decrease in corporate bond yields will increase Fund liabilities, although this will be partially offset by an increase in the value of the Fund's bond holdings and annuity contracts. The majority of the Fund's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. A significant proportion of the Fund's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit. These movements would be partially offset by changes to the value of the annuity contracts that the Fund holds.

Life expectancy

The majority of the Fund's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Company's liabilities. Again, this risk is partially offset by the annuity contract for a significant proportion of pensioner members.

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