Company registration number: 00004197

PA Group Limited

Annual report and financial statements

For the year ended 31 December 2017

DIRECTORS AND OFFICERS

DIRECTORS

Executive

Mr C P Marshall	Chief Executive
Mr A J Dowsett	Chief Operating Officer
Mr E Ethelston	Chief Financial Officer
Mr A G Watson	Managing Director, Press Association

Non - Executive

Mr M MacLennan	Chairman
Ms G Allinson	Nominations Committee, Audit Committee
Mr K J Beatty	Nominations Committee, Remuneration Committee
Ms R Brooks	Nominations Committee
Mr D J FitzPatrick	Nominations Committee, Remuneration Committee
Mr S Fox	Nominations Committee, Audit Committee
Mr T Cobbold	Nominations Committee

Company secretary
Ms L Irwin

Registered office
PA NewsCentre
292 Vauxhall Bridge Road
London
SW1V 1AE

Auditors
Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Solicitors
Taylor Wessing LLP
5 New Street Square
London
EC4A 3TW

Bankers
Lloyds Banking Group plc
9 Marina Court
Hull
HU1 1TJ

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2017.

REVIEW OF BUSINESS

2017 saw the Group achieve a seventh consecutive year of record underlying profit and continued revenue growth. This was driven by strong performance in the data business units in addition to recent acquisitions.

Headline revenue was £62.3m (2016: £57.8m), a year-on-year improvement of 8%. Operating profit before goodwill amortisation and other exceptional items was £6.2m (2016: £4.9m), an increase of £1.3m on 2016. Operating profit was £2.7m (2016: £3.1m), down £0.4m due to one-off costs incurred in the year.

Net assets have increased during the year by £18.9m, as a result of the movement in the defined benefit pension scheme to a surplus position, although there is an ongoing funding deficit.

Key to the Group's long-term growth strategies are acquisitions to drive diversification of income streams and help consolidate the Group's position as the leading provider of cross-platform news, sport and entertainment content and services.

The Group has continued to invest in businesses outside the traditional media space during 2017. The Group acquired a 61% stake in StreamAMG – a video streaming company that provides online, high-definition video solutions to rights-holders and content owners, enabling them to capitalise on the value of their video content. StreamAMG works with major brands across Europe, and in the UK provides services to the majority of the English Premier League football clubs, most of the major bookmakers and premium public-sector clients including the BBC and the European Council. The Group has also secured an option to acquire the remaining shares in StreamAMG.

The Group has also made a strategic investment in Alliance News, a leading provider of real-time equities news for financial professionals and investors. Having already been a content partner to the Group for the past two years, its core values of timely and accurate journalism are a natural fit with those of the Group.

KEY PERFORMANCE INDICATORS

The Group considers revenue and operating profit before adjusting items to be the key performance indicators ("KPI"), both of which are discussed above. The Directors also monitor net assets, which are also discussed above.

The Group targets a 5% increase in trading profit on budget. In respect of 2017 the Group achieved this KPI. The KPI was also met in 2016.

The Group does not issue KPIs of a non-financial nature.

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties below represent the risks the Directors believe are material. Other factors not presently known to the Directors or which are not presently deemed material could also affect the Group's future business and operations.

One of the key risks to the Group is reputational damage, particularly relating to News services. Reputational exposure is managed through the workflow and approval processes. The PA Trust monitors the editorial standards of the news agency to ensure that they are maintained at the highest level. 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. Further, the Group is regulated by the Independent Press Standards Organisation and the Editors' Code it administers. All editorial staff are expected to be familiar with the Code and to observe it. Regular training, including from the regulator itself, is provided.

The Group generates a significant proportion of revenues from recurring, subscription-based arrangements or sporting rights licenses. The majority of arrangements have a term of one-year or two to three-year terms, typically with renewal provisions spread throughout the financial year. The Directors monitor the level of contract exposure and endeavour, wherever possible, to progress revenue contract renewal negotiations well before the contracts are due to terminate, thus limiting the financial risk of such exposure. The Directors believe that the Group's success in creating value for its customers, the length and nature of existing contracts and its diverse customer base will protect future revenues.

The markets for content, data and other services are highly competitive and subject to rapid technological changes, and evolving customer demands and needs. As new technologies change the competitive landscape, the market increasingly demands that the Group's product and service offerings are responsive to this. In order to stay ahead of the market, the Group has continued to invest in enhancing current products and services, such as the addition of new content and functionalities; develop new products and services; invest in technology as noted below; and acquire additional businesses and partner with other businesses in key sectors that will help the Group to offer a broader array of products and services.

Following from this, the Group faces risks relating to technical failure and its impact on service provision. The Group regularly reviews the nature of the technology and ensures the best solutions are deployed to mitigate the risk. The Group invests continuously in software development and technical hardware. This investment ensures that the Group remains able to provide an innovative technical platform and to deliver new and improved products to the market and its customers.

The principal risks and uncertainties facing the Group also include business continuity and staff retention. These are managed by each business unit with business continuity plans and risk registers maintained and regularly reviewed to ensure all key risks are adequately mitigated.

By order of the Board

Mr C P Marshall
Chief Executive
22 March 2018

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 2017.

PRINCIPAL ACTIVITIES

The Group is a market leader in the provision of news, sport and entertainment information to the media and other customers. The Group is organised in three business units supported by a corporate centre: content, data services, and services. Further details of the activities of the business can be found on the Group's website at: www.pressassociation.com.

RESULTS AND DIVIDEND

The profit for the financial year was £3,244,000 (2016: £1,986,000). No dividends (2016: £Nil) were approved and paid in the year. The resulting retained profit of £17,892,000 has been transferred to reserves (2016: loss of £21,778,000).

FUTURE DEVELOPMENTS

The Group enters 2018 with positive prospects for further diversifying the business while maintaining a focus on providing customers with high quality and relevant content. The Group will continue with its strategy of investing in and acquiring businesses that fit into the Group's portfolio and help drive growth in the revenue base, while further embedding recent acquisitions into the PA culture.

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 K J Beatty
- Ms R Brooks
- Mr T Cobbold
- Mr A J Dowsett
- Mr E Ethelston
- Mr S Fox
- Mr D J Fitzpatrick
- Mr M MacLennan
- Mr C P Marshall
- Mr A G Watson

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.

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.

Much of the Group's success can be attributed to its policy of progressive training and development of its employees. The growing expertise and confidence of its employees has enabled the Group to deliver sophisticated products to its customer base in a very professional manner. The Directors are thankful to all employees for the way in which they continually meet the demands made of them.

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.

THIRD PARTY INDEMNITY PROVISIONS FOR DIRECTORS

The Group has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policies are actively managed by the Directors on a Group basis.

Credit risk

The Group's principal financial assets are cash, trade and other receivables and investments.

The Group's credit risk is primarily attributable to its trade receivables to the extent that a customer may be unable to pay the debt on the specified due date. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cashflows. This risk is further mitigated by the strong on-going customer relationships and for many customers there is a dependency on an ongoing service.

Liquidity risk

The Group mitigates liquidity risk by ensuring that sufficient funds are available for ongoing operations and future developments. The Group holds cash on deposit and has ensured that the funds are held in a spread of money market funds and institutions.

Defined benefit pension scheme obligations

The Group operates a defined benefit pension scheme which is now closed to new entrants. 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.

REPORT OF THE DIRECTORS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, 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 and profit or loss of the Company and 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 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on 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.

Ms L Irwin
Company Secretary
22 March 2018

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion
We have audited the financial statements of PA Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of cash flows, the group statement of changes in equity, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)'.

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 2017 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to
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.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
• the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
• the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 7 to 29, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
• the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the strategic report and the 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which 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.

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

Responsibilities of directors for the financial statements
As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
www.frc.org.uk/auditorsresponsibilities.
This description forms part of our auditor's report.

Mark Henshaw FCCA (Senior Statutory Auditor)
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
22 March 2018

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	2017 £000	2016 £000
Turnover	1	62,267	57,846
Other operating income		641	627
		62,908	58,473
Staff costs	2	(34,885)	(32,722)
Depreciation and other amounts written off tangible and intangible fixed assets		(5,484)	(5,039)
Other operating expenses		(19,814)	(17,658)
Total operating profit before goodwill amortisation and other exceptional items		6,169	4,948
Goodwill amortisation	8	(2,782)	(1,894)
Other exceptional items	4	(662)	-
Operating profit		2,725	3,054
Profit on disposal of freehold property		208	149
Other interest receivable and similar income	5	150	265
Interest payable and similar expenses	5	(9)	(13)
Profit on ordinary activities before tax	6	3,074	3,455
Tax on profit on ordinary activities	7	170	(1,469)
Profit on ordinary activities after tax		3,244	1,986
Other comprehensive income			
Acquisition of non-controlling interest		-	(1,848)
Currency translation differences		11	-
Actuarial gain/(loss) on defined benefit pension scheme assets/liabilities	21	18,500	(26,406)
Movement on deferred tax relating to defined benefit pension scheme assets/liabilities	14	(3,561)	4,705
Total comprehensive income/(expense) for the year		18,194	(21,563)

		2017 £000	2016 £000
Profit for the year attributable to:			
Owners of the parent company		2,942	1,771
Non-controlling interests		302	215
Profit for the year		3,244	1,986
Total comprehensive income/(expense) for the year attributable to:			
Owners of the parent company		17,892	(21,778)
Non-controlling interests		302	215
Total comprehensive income/(expense) for the year		18,194	(21,563)

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 December

Company registration number: 00004197

	Notes	2017 £000	2016 £000
Fixed assets			
Intangible assets	8	12,955	10,352
Tangible assets	9	14,667	16,118
Investments	10	13,900	24,280
		41,522	50,750
Current assets			
Debtors	11	17,764	17,181
Stock	13	307	249
Cash at bank and in hand		41,052	41,410
		59,123	58,840
Creditors: amounts falling due within one year	12	(16,817)	(13,885)
Net current assets		42,306	44,955
Total assets less current liabilities		83,828	95,705
Provisions for liabilities	15	(2,105)	(2,880)
Net assets excluding pension asset/(liability)		81,723	92,825
Defined benefit pension scheme asset/(liability)	21	9,900	(20,100)
Net assets including pension asset/(liability)		91,623	72,725
Capital and reserves			
Called up share capital	16	7,965	7,965
Profit and loss account	16	82,652	64,760
Equity attributable to owners of the parent company		90,617	72,725
Non-controlling interests		1,006	-
		91,623	72,725

These financial statements on pages 7 to 29 were approved by the Board on 22 March 2018 and signed on their behalf by

Mr C P Marshall
Chief Executive

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December

Company registration number: 00004197

	Notes	2017 £000	2016 £000
Fixed assets			
Tangible assets	9	10,531	10,733
Investments	10	49,878	59,823
		60,409	70,556
Current assets			
Debtors	11	556	355
Cash at bank and in hand		30,279	30,235
		30,835	30,590
Creditors: amounts falling due within one year	12	(50,306)	(57,250)
Net current liabilities		(19,471)	(26,660)
Total assets less current liabilities		40,938	43,896
Provisions for liabilities	15	(1,653)	(2,300)
Net assets		39,285	41,596
Capital and reserves			
Called up share capital	16	7,965	7,965
Profit and loss account	16	31,320	33,631
Total shareholders' funds		39,285	41,596

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Statement of Comprehensive Income and related notes in these financial statements. The Parent Company's loss for the year was £2,311,000 (2016: £2,446,000).

These financial statements on pages 7 to 29 were approved by the Board on 22 March 2018 and signed on their behalf by

Mr C P Marshall
Chief Executive

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December

	Notes	2017 £000	2016 £000
Cash inflow from operating activities			
Operating profit		2,725	3,054
Adjustments for:			
Amortisation of goodwill and trademarks	8	2,784	1,894
Depreciation charge	9	2,700	3,145
Provisions against cost of investment	10	550	-
Loss on disposal of fixed assets	6	(134)	-
Foreign exchange differences		(17)	-
(Decrease)/increase in provisions		(1,027)	1,427
Difference between pension charge and cash contributions		(1,500)	1,891
Increase in debtors		(2,381)	(7,267)
Increase in stock		(58)	-
Increase in creditors		2,400	1,133
Cash generated from operations		6,042	5,277
Income taxes paid		(520)	(35)
Net cash flow generated from operating activities		5,522	5,242
Cash flows from investing activities			
Payments to acquire tangible fixed assets	9	(1,217)	(985)
Receipt from sale of tangible fixed assets		474	369
Payments to acquire other fixed asset investments	10	(115)	(1,175)
Purchase of subsidiaries/non-controlling interests	18	(6,236)	(2,063)
Cash acquired with subsidiaries	18	1,148	-
Interest received		95	265
Net cash flow used in investing activities		(5,851)	(3,589)
Cash flows from financing activities			
Interest paid		(9)	(13)
Repayment of obligations under finance leases		(48)	-
New finance lease obligation		-	173
Dividends paid		-	(229)
Net cash flow used in financing activities		(57)	(69)
Net (decrease)/increase in cash and cash equivalents		(386)	1,584
Cash and cash equivalents at the beginning of the year		41,410	39,826
Effect of foreign exchange rate changes		28	-
Cash and cash equivalents at the end of the year		41,052	41,410

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

	Called up Share Capital £000	Profit and Loss Account £000	Non-controlling Interests £000	Total £000
At 1 January 2016	7,965	86,538	230	94,733
Profit for the year	-	1,771	215	1,986
Other comprehensive expense:				
Actuarial loss recognised on defined benefit pension scheme liabilities	-	(26,406)	-	(26,406)
Movement in deferred tax on defined benefit pension scheme liabilities	-	4,705	-	4,705
Transactions with owners:				
Dividends	-	-	(230)	(230)
Purchase of shares from non-controlling interest	-	(1,848)	(215)	(2,063)
At 31 December 2016	7,965	64,760	-	72,725
Profit for the year	-	2,942	302	3,244
Other comprehensive income:				
Currency translation differences	-	11	-	11
Actuarial gain recognised on defined benefit pension scheme assets	-	18,500	-	18,500
Movement in deferred tax on defined benefit pension scheme assets	-	(3,561)	-	(3,561)
Transactions with owners:				
Non-controlling interest on acquisition of subsidiaries (note 18)	-	-	704	704
At 31 December 2017	7,965	82,652	1,006	91,623

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 2016	7,965	36,077	44,042
Loss for the year	-	(2,446)	(2,446)
At 31 December 2016	7,965	33,631	41,596
Loss for the year	-	(2,311)	(2,311)
At 31 December 2017	7,965	31,320	39,285

ACCOUNTING POLICIES

GENERAL INFORMATION

PA Group Limited ("the Company") is a private company limited by shares, and is registered, domiciled and incorporated in England.

The address of the Company's registered office and principal place of business is PA NewsCentre, 292 Vauxhall Bridge Road, London SW1V 1AE.

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 amendments to FRS 102, "Incremental improvements and clarifications", issued in December 2017 following the Triennial review 2017 have been early adopted and applied by the Group in preparing these financial statements.

The financial statements are presented in Sterling (£), which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of PA Group Limited and all its material subsidiary undertakings. They are drawn up to 31 December each year. The Scottish Press Association Limited, a dormant company registered in Scotland, and PAPF Trustee Limited, a dormant company registered in England, are not consolidated as they are not considered material to the financial statements.

The individual accounts of the Company 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 certain assumptions, estimates and judgements that may affect the reported amounts of assets, liabilities, income and expenses. These are based on historical experience and any other factors, including expectations of future events, that are considered appropriate and these are continually reviewed. Subsequent actual results may however differ from these estimates and judgements. Areas where assumptions, estimates and judgements may give rise to risk of material adjustments to the carrying values of assets and liabilities or reported results in the next financial year are as follows:

Impairment of goodwill and fixed asset investments

The Group regularly reviews goodwill and fixed asset investments for new indicators of impairment, where none are found no impairment testing is undertaken. Where such indicators are found the Group undertakes an estimation of the value in use of the respective cash-generating units using cash flow projections based on financial forecasts for a period of three years and thereafter extrapolated using estimated growth rates. The outcome of these tests is highly dependent on management's latest estimates and assumptions regarding cash flow projections, economic risk and discount rate applied. If future events or results differ adversely from the estimates or assumptions used, the Group could record increased amortisation or impairment charges in the future. The carrying amount of goodwill at the 31 December 2017 was £12,950,000 (2016: £10,345,000). An impairment loss of £550,000 was recognised in respect of fixed asset investments during the year ended 31 December 2017 due to identified economic risk relating to the investment held in Baize Group Limited (2016: £Nil). No impairment loss was recognised in respect of goodwill (2016: £Nil).

Provisions

The Group makes provisions in respect of leasehold dilapidation commitments and deferred consideration where it is probably that a transfer of economic benefit will be required to settle a present obligation. The amounts recognised as a provision are the best estimate of consideration required to settle the present obligations at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. At 31 December 2017, the carrying amount of provisions for leasehold dilapidations commitments was £200,000 (2016: £274,000) and deferred consideration on the Stream acquisition of £252,000 (£2016: £Nil).

Defined benefit pension scheme assets/liabilities

The Group operates a defined benefit pension scheme which is based on actuarial valuations that use a number of assumptions. These include the discount rate, which is based on the interest rate of high quality corporate bonds denominated in the currency of the benefits and that have terms to maturity approximating to the terms of the related obligation, inflation rates, expected salary increases and mortality. At 31 December 2017, the Group's net defined benefit pension scheme asset was £9,900,000 (2016: net defined benefit pension scheme liability of £20,100,000). Appropriate sensitivities have been performed and disclosed in Note 21.

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. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and impairment loss. Goodwill is considered to have a finite useful life and is amortised

ACCOUNTING POLICIES

GOODWILL (CONTINUED)

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 and any impairment losses.

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.

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 pension 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, £2,000,000 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.

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

The Group’s share of the Baize Group Limited profit in 2017 was £33,000. This has not been recognised in the group financial statements as it is not considered material to the financial statements.

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 or, for goodwill, the recoverable amount of the cash generating unit to which the goodwill belongs is estimated and compared with its carrying amount. The recoverable amounts is the higher of fair value less costs to sell and value in use. 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.

Any impairment loss recognised for goodwill is not reversed.

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 Group 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.

ACCOUNTING POLICIES

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.

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.

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 there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

TURNOVER

Turnover is measured at the fair value of the consideration received or receivable, net of estimated discounts, value-added or other sales taxes, and after eliminating intercompany sales within the Group. When the outcome cannot be reliably estimated, turnover is recognised only to the extent that it is probably that future economic benefits will flow to the Group. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Content

Content income relates primarily to subscriptions to the Group's News Wire, Sport Wire, Features and Puzzles services. Content also includes income from Video and Page Production. The majority of Video income is on a subscription basis, with a small number of revenue share arrangements. Page Production services are provided over a specified contract period, based on the provision of shifts per week.

Turnover is recognised over each subscription period or over the course of the total contract period. Any content monies received in advance of the subscription or contract commencing are recognised in current liabilities as deferred income. Turnover from revenue share arrangements is accrued based on estimated usage over the contract period.

Data Services

Data services income relates primarily to subscription turnover from the Group's Racing Services, Sports Data, Arts and Entertainment and TV products.

Turnover is recognised in line with the service delivery to the customer, which is usually evenly over the contract period with reference to contract terms.

Turnover from the recharge of sports distribution rights is recognised to the extent that the Group obtains the right to consideration in exchange for its performance.

Services

Services relates to turnover from the Group's Business, Sticky Content, Globelynx, TNR Communications, PA Training, Images and StreamAMG platforms.

Business, Images and PA Training

Turnover generated from the provision of Business, Images and PA Training is recognised in line with the service delivery to the customer, which is usually evenly over the contract period with reference to contract terms.

TNR and Sticky Content

Turnover generated from the provision of bespoke training, consultancy and marketing content is recognised in line with costs that have been incurred, generally based on hours incurred relative to the total hours expected to be incurred.

Multiple component arrangements

When a single sales transaction requires the delivery of more than one product of service (multiple components), the revenue recognition criteria are applied to separately identifiable components. A component is considered separately identifiable if the product or service delivered has a stand-alone value to that customer and the fair value associated with the product or service can be measured reliably. The amount recognised as turnover for each component is the fair value of the element in relation to the fair value of the arrangement as a whole. If the goods or services provided do not qualify for separate accounting, they are recognised together with the related ongoing service fees, in line with the service delivery to the customer.

StreamAMG

Arrangements include fees relating to the production, webcasting, support and hosting of video content.

Where an arrangement includes the recharge of set up costs, turnover associated with this is recognised over the term of the contract.

Turnover relating to the provision of services including webcasting, production, platforms and support is recognised in line with the service delivery to the customer, which is usually evenly over the contract period with reference to contract terms.

The Group also holds a number of revenue share arrangements. Turnover from sales of third party vendor products or services is recorded net of costs when the Group is acting as an agent between the customer and the vendor, and is recorded gross when the Group is a principal to the transaction. Turnover is recognised over the subscription period, usually monthly or annually.

Globelynx

Arrangements include the sale and installation of camera equipment, and the associated ongoing broadcasting service provided on an annual subscription basis.

Where an arrangement includes the sale of camera equipment, turnover is recognised when the goods have been received by the customer, reflecting the transfer of the associated risks and rewards.

Turnover relating to the provision of ongoing broadcasting and support services is recognised over the contract period. Any content monies received in advance of the subscription or contract commencing are recognised in current liabilities as deferred income.

FOREIGN CURRENCIES

Transactions in currencies other than the functional currency are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated into sterling at the exchange rates ruling at the end of the financial period. All other currency differences are dealt with in the profit and loss account.

DIVIDENDS

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

OTHER INCOME

Other income relates to rental receipts from short-term rental arrangements. Income is recognised net of any incentives given to the lesees and is recognised on a straight-line basis over the term of the arrangement.

STOCK

Stock is stated at the lower of cost and net realisable value with allowance for obsolete or slow moving items. Cost comprises direct materials. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PENSIONS

The Group operates a defined benefit pension 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 pension scheme asset or liability, is presented separately after other net assets on the face of the Group statement of financial position.

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

FINANCIAL INSTRUMENTS

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade, Group and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade, Group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS

1 TURNOVER

	2017 £000	2016 £000
GEOGRAPHICAL ANALYSIS		
United Kingdom	55,036	52,499
Rest of Europe	2,857	1,955
Rest of World	4,374	3,392
Total	62,267	57,846

	2017 £000	2016 £000
BUSINESS ANALYSIS		
News, sport and entertainment information	47,573	45,419
Photo syndication	5,209	5,750
TV camera network	3,003	2,853
Digital copywriting and content strategy agency	2,250	3,327
Online video solutions	3,534	-
Other	698	497
Total	62,267	57,846

2 STAFF COSTS AND EMPLOYEE INFORMATION

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Wages and salaries	30,705	28,504	2,111	2,536
Social security costs	3,067	2,818	192	197
Defined contribution pension costs (note 21)	1,113	1,400	69	110
	34,885	32,722	2,372	2,843

	Group 2017 Number	Group 2016 Number	Company 2017 Number	Company 2016 Number
Average monthly number of Directors and staff employed during the year were:				
Operations	643	588	-	-
Sales	54	45	-	-
Administration	137	133	-	-
Central management	5	5	5	5
	839	771	5	5

NOTES TO THE FINANCIAL STATEMENTS

3 DIRECTORS' EMOLUMENTS

	2017 £000	2016 £000
Group emoluments of the Company's Directors:		
Aggregate emoluments all relating to continuing activities	1,387	1,345
Aggregate amounts receivable under long-term incentive schemes	438	964
Defined contribution pension payments	10	17
Sums paid to third parties for Directors' services	145	84
	1,980	2,410

	2017 £000	2016 £000
Amounts in respect of the highest paid Director:		
Aggregate emoluments all relating to continuing activites	580	550
Amounts receivable under long-term incentive schemes	206	470
Defined contribution pension payments	-	10
	786	1,030

Retirement benefits are accruing to one Director (2016: one) under a defined benefit pension scheme and one Director (2016: two) under defined contribution schemes. Four Directors are members of long-term incentive plans (2016: four). See note 15 for details of amounts paid and accruing to Directors.

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

4 EXCEPTIONAL ITEMS

	2017 £000	2016 £000
Provisions against cost of investment	550	-
Other professional fees	112	-
Total exceptional items	662	-

During the year, the Group applied a £550,000 provision against its investment in Baize Group Limited, see note 10. Other professional fees comprise one-off charges relating to acquisitions of investments in the year and other non-recurring legal costs.

5 INTEREST AND SIMILAR ITEMS

	2017 £000	2016 £000
Interest receivable on bank deposits	150	265
Total finance income	150	265
Finance lease interest	(9)	(13)
Total finance costs	(9)	(13)

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	2017 £000	2016 £000
Operating profit is stated after charging/(crediting):		
Operating lease rentals – land and buildings	331	157
– plant and machinery	135	178
Exchange gains	(17)	(274)
Amortisation of goodwill (note 8)	2,782	1,894
Amortisation of trademarks (note 8)	2	-
Depreciation of tangible fixed assets (note 9)	2,700	3,145
Loss/(profit) on disposal of fixed assets	134	(150)
Provisions against cost of investment (note 10)	550	-
Property income	(642)	(623)

NOTES TO THE FINANCIAL STATEMENTS

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX (CONTINUED)

PAYMENTS TO AUDITORS

	2017 £000	2016 £000
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	14	13
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries	67	42
- All other non-audit services	185	173

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2017 £000	2016 £000
Current tax:		
UK corporation tax at 19.25% (2016: 20.00%)	186	452
Adjustments in respect of prior periods	(34)	-
Double taxation relief	(4)	-
Overseas tax	28	55
Total current tax	176	507
Deferred tax:		
Origination & reversal of timing differences	(724)	683
Adjustments in respect of prior periods	(765)	-
Effect of tax rate change on opening balance	1,143	279
Total deferred tax	(346)	962
Tax charge on profit on ordinary activities	(170)	1,469

The tax for the year is lower (2016: higher) than the standard rate of corporation tax in the UK. The differences are explained below.

	2017 £000	2016 £000
Profit on ordinary activities before tax	3,074	3,455
At standard rate of corporation tax of 19.25% (2016: 20.00%)	592	691
Effects of:		
Expenses not tax deductible	536	377
Income not taxable for tax purposes	(40)	-
Foreign tax suffered	(103)	-
Foreign tax credits	25	47
Adjustments in respect of prior periods	(799)	-
Depreciation on ineligible fixed assets	157	150
Effects of rates on changes on deferred tax	(501)	231
Deferred tax not recognised	(32)	(27)
Other permanent differences	(5)	-
	(170)	1,469

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017 and remained at 19% through 2017. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 19.25% (2016: 20%).

Further reduction to the UK corporation tax rates were substancially enacted as part of the Finance Bill 2016 on 6 September 2016, that reduces the main rate to 17% from 1 April 2020. The deferred tax assets and liabilities reflect these rates.

8 INTANGIBLE FIXED ASSETS

	Goodwill £000	Trademarks £000	Total £000
GROUP			
Cost:			
At 1 January 2017	30,379	11	30,390
Addition on acquisition of subsidiary (note 18)	5,387	-	5,387
At 31 December 2017	35,766	11	35,777
Accumulated amortisation:			
At 1 January 2017	20,034	4	20,038
Charge for the year	2,782	2	2,784
At 31 December 2017	22,816	6	22,822
Net book amount:			
At 31 December 2017	12,950	5	12,955
At 31 December 2016	10,345	7	10,352

The amortisation of goodwill is presented separately in the statement of comprehensive income and amortisation of goodwill and trademarks is included within other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

9 TANGIBLE FIXED ASSETS

	Freehold property £000	Long leasehold property £000	Computers and other office equipment £000	Total £000
GROUP				
Cost:				
At 1 January 2017	15,802	207	27,921	43,930
Additions on acquisition of subsidiaries	-	-	752	752
Additions at cost	-	-	1,217	1,217
Eliminated on disposal	-	(207)	(2,534)	(2,741)
At 31 December 2017	15,802	-	27,356	43,158
Accumulated depreciation:				
At 1 January 2017	5,086	207	22,519	27,812
Additions on acquisition of subsidiaries	-	-	588	588
Charge for the year	213	-	2,487	2,700
Eliminated on disposal	-	(207)	(2,402)	(2,609)
At 31 December 2017	5,299	-	23,192	28,491
Net book amount:				
At 31 December 2017	10,503	-	4,164	14,667
At 31 December 2016	10,716	-	5,402	16,118

Computers and other office equipment with a carrying value of £97,000 (2016: £155,000) are held under finance leases.

	Freehold property £000	Computers and other office equipment £000	Total £000
COMPANY			
Cost:			
At 1 January 2017	15,802	108	15,910
Additions at cost	-	18	18
Eliminated on disposal	-	(10)	(10)
At 31 December 2017	15,802	116	15,918
Accumulated depreciation:			
At 1 January 2017	5,086	91	5,177
Charge for the year	213	7	220
Eliminated on disposal	-	(10)	(10)
At 31 December 2017	5,299	88	5,387
Net book amount:			
At 31 December 2017	10,503	28	10,531
At 31 December 2016	10,716	17	10,733

During 2014 the Parent 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

10 FIXED ASSET INVESTMENTS

	Group £000	Company £000
Cost:		
At 1 January 2017	24,280	98,944
Additions	170	-
Disposals	(10,000)	(9,945)
At 31 December 2017	14,450	88,999
Provision against cost of investment:		
At 1 January 2017	-	39,121
Additions	550	-
At 31 December 2017	550	39,121
Net book amount:		
At 31 December 2017	13,900	49,878
At 31 December 2016	24,280	59,823

	Group £000	Company £000
Total fixed asset investments comprise:		
Interest in subsidiaries	-	36,622
Interest in associates	329	-
Other fixed asset investments	13,571	13,256
At 31 December 2017	13,900	49,878

Other fixed asset investments include £13,256,000 (2016: £23,201,000) cash held in escrow to meet potential future defined benefit pension liabilities. During the year £10,000,000 was paid into the Group's defined benefit pension scheme.

During the year the Group applied a £550,000 provision against its investment in Baize Group Limited. This provision was deemed prudent in light of the identified economic risk in the automotive industry and UK economy. The impairment loss is included within other operating expenses in the statement of comprehensive income.

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	PROPORTION OF ORDINARY SHARES HELD DIRECT	INDIRECT	REGISTERED OFFICE
The Press Association Limited	News, sport and entertainment information	100%	-	(a)
Sticky Content Limited	Digital copywriting and content strategy agency	100%	-	(a)
PA News Investments Limited	Non-trading investment holding company	100%	-	(a)
PA Photos Limited	Photo syndication	-	100%	(a)
DEF Limited	Non-trading holding company	-	100%	(a)
The Scottish Press Association Limited	Dormant	-	100%	(b)
Globelynx Limited	TV camera network	50%	50%	(a)
The Press Association of Ireland Limited	News and sport information	-	100%	(c)
PA Information Services India Private Limited	Management of data processing	-	100%	(d)
Stream UK Media Services Limited	Online video solutions	61%	-	(e)
Stream Malta Limited	Online video solutions	-	61%	(f)
StreamBenelux B.V.	Online video solutions	-	61%	(g)
Stream España Sucursal en España	Online video solutions	-	61%	(h)
The Press Association of Australia Pty Limited	Overnight news and sport information	-	100%	(i)

NOTES TO THE FINANCIAL STATEMENTS

10 FIXED ASSET INVESTMENTS (CONTINUED)

The associate undertakings of the Group are as follows:

COMPANY	ACTIVITY	GROUP INTEREST IN ORDINARY SHARES AND VOTING RIGHTS	REGISTERED OFFICE
Baize Group Limited	Motoring editorial, events and PR services	25%	(j)

(a) Address: PA NewsCentre, 292 Vauxhall Road, London, SW1V 1AE.
(b) Address: One Central Quay, Glasgow, Lanarkshire, G3 7EE.
(c) Address: 39/40 Upper Mount Street, Dublin 2, Co. Dublin, DO2 PR89, Republic of Ireland.
(d) Address: Flat 701, Concord Apartments, Falnir 1st Cross Mangalore Dakshina Kannada KA 575002, India.
(e) Address: Unit 27- 28 Angel Gate, London, EC1V 2PT.
(f) Address: 1st Floor, Schemson House, Valley Road, Birkirkara, BKR 9021, Malta.
(g) Address: Quirinegang 183, 2719 CH Zoetemeer, The Netherlands.
(h) Address: Paseo de la Castellana 135, 7th Planta, 28046, Madrid, Spain.
(i) Address: The Press Association, Level 6, 3 Rider Boulevard, Rhodes, NSW 2138, Australia.
(j) Address: 23 Haslar Marine Technology Park, Haslar Road, Gosport, Hampshire, PO12 2AG.

11 DEBTORS

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Trade debtors	11,511	10,268	330	-
Other debtors	707	192	-	-
Prepayments and accrued income	4,517	2,371	53	61
Corporation tax recoverable	-	106	-	-
Deferred tax asset (note 14)	1,029	4,244	173	294
	17,764	17,181	556	355

During the year, an impairment loss of £47,000 (2016: £18,000) was recognised in respect of trade debtors who are known to be in financial difficulty and from whom payment was overdue by more than three months.

Amounts owed by 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.

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Trade creditors	2,990	1,605	-	-
Amount owed to subsidiary undertakings	-	-	48,879	56,216
Other taxation and social security	1,805	2,523	31	25
Corporation tax	147	468	-	212
Other creditors	166	37	1	1
Accruals and deferred income	11,584	9,079	1,395	796
Finance lease (note 17)	125	173	-	-
	16,817	13,885	50,306	57,250

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.

13 STOCK

	Group 2017 £000	Group 2016 £000
Finished goods	307	249

NOTES TO THE FINANCIAL STATEMENTS

14 DEFERRED TAX ASSET/(LIABILITY)

	Group £000	Company £000
At 1 January 2017	4,244	294
Transfer (to)/from profit and loss account	346	(121)
Pension scheme liability movements	(3,561)	-
At 31 December 2017	1,029	173

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
The deferred tax asset comprises:				
Fixed asset timing differences	1,153	182	(108)	148
Other timing differences	(124)	4,062	281	146
	1,029	4,244	173	294

Based on current capital expenditure plans, the Group does not expect timing differences in relation to fixed assets to reverse to any significant extent in the next 12 months. Other timing differences include pension scheme surplus, spreading of pension scheme contributions and LTIP provisions. The timing differences in relation to the LTIP provision are not expected to reverse to any significant extent in the next 12 months. The deferred tax asset in relation to the spreading of pension contributions will reverse by around £500,000 in the next 12 months. As movements in the pension scheme surplus arise from changes in actuarial assumptions as well as payments, it is difficult to forecast the future movement in the related deferred tax asset.

Deferred tax is measured on a non-discounted basis at a tax rate of 19.13% (2016: 17.67%), 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 £2,050,000 (2016: £2,000,000).

15 PROVISIONS FOR LIABILITIES

	Deferred consideration £000	Management incentive plans £000	Other £000	Total £000
GROUP				
At 1 January 2017	306	2,300	274	2,880
Additions in the year (note 18)	252	-	-	252
Utilised in the year	(352)	(1,154)	-	(1,506)
Adjustments in the year	46	-	(74)	(28)
Charged to profit and loss account	-	507	-	507
At 31 December 2017	252	1,653	200	2,105
COMPANY				
At 1 January 2017	-	2,300	-	2,300
Utilised in the year	-	(1,154)	-	(1,154)
Charged to profit and loss account	-	507	-	507
At 31 December 2017	-	1,653	-	1,653

A 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 2018. The provision at the year end in respect of this arrangement was £1,146,000 (2016: £2,300,000). A new long-term incentive plan was set up in 2017 to reward PA Group Limited Executive Directors by paying them a bonus related to the cumulative performance over the period from 1 January 2017 to 31 December 2019. Payments will be made under this scheme in 2020 and 2021. The provision at the year end in respect of this arrangement was £507,000 (2016: £Nil).

Deferred consideration relates to acquisition costs relating to the Stream acquisition. Other provisions relate to potential dilapidation charges on property. It is anticipated that these provisions will be fully utilised by the end of 2018.

16 SHARE CAPITAL & RESERVES

	2017 £000	2016 £000
7,965,000 (2016: 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.

ORDINARY SHARE RIGHTS

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

PROFIT AND LOSS ACCOUNT

Cumulative profit and loss net of distributions to owners.

17 FINANCIAL COMMITMENTS

OPERATING LEASE COMMITMENTS

		2017 £000	2016 £000
The Group is committed to make the following payments next year under operating leases:			
Less than one year	- land and buildings	307	38
	- plant and machinery	202	45
Between one and five years	- land and buildings	490	133
	- plant and machinery	253	119
		1,252	335

FINANCE LEASE AND HIRE PURCHASE CONTRACTS

	Group 2017 £000	Group 2016 £000
The total future minimum lease payments are payable:		
Less than one year	88	66
Between one and five years	37	107
	125	173

Obligations under finance leases are secured by the related assets and bear finance charges at rate of 9.56% per annum (2016: 9.56% per annum).

Finance lease payments represent rentals payable by the Group for certain items of computer equipment. Leases include no purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets. The net book value of secured assets is disclosed in note 9.

NOTES TO THE FINANCIAL STATEMENTS

18 ACQUISITIONS

On 31 March 2017, the Group acquired 61% of the issued share capital of Stream UK Media Services Limited. Stream UK Media Services Limited is a company incorporated in England which provides European companies with online video solutions. Stream UK Media Services Limited owns 100% of ordinary shares in the following subsidiaries: Stream Malta Ltd, StreamBenelux B.V., Stream Espaňa Sucursal en Espaňa.

The cost of the acquisition comprised cash consideration of £5,000,000, deferred consideration of £252,000, contingent consideration of £717,000 and acquisition costs of £519,000. Contingent consideration was paid during the year and was based on the completion accounts of Stream UK Media Services Limited.

Consolidated turnover and consolidated profit after tax comprise turnover of £3,534,000 and profit after tax of £759,000 contributed by Stream UK Media Services Limited between the date of its acquisition and 31 December 2017.

The goodwill arising on acquisition of £5,387,000 is considered to have a useful life of 5 years.

Stream UK Media Services Limited has been accounted for using the acquisition method of accounting. At the acquisition date, the assets and liabilities of Stream UK Media Services Limited were consolidated at their fair values to the Group, as set out below:

	Fair value at date of acquisition £000
Tangible fixed assets	164
Trade debtors	937
Prepayments and other debtors	586
Cash at bank	1,148
Total assets	2,835
Trade creditors	165
Taxation	315
Other creditors	60
Accruals and deferred income	490
Total liabilities	1,030
Net assets	1,805
Non-controlling interest	(704)
Goodwill	5,387
Total consideration	6,488
Satisfied by:	
- cash	5,000
- deferred cash consideration	252
- contingent consideration	717
- acquisition cost	519

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. At 31 December 2017 £35,000 (2016: £36,000) was owed by the scheme to the Group in relation to expenses paid on the scheme’s behalf.

20 NET DEBT RECONCILIATION

	1 January 2017 £000	Cash flow £000	Acquisition of subsidiary £000	Exchange movement £000	31 December 2017 £000
Cash at bank and in hand	41,410	(1,534)	1,148	28	41,052
Finance leases	(173)	48	-	-	(125)
Net debt	41,237	(1,486)	1,148	28	40,927

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. Under the scheme the employees are entitled to retirement benefits of 1/60th of the final salary on attainment of a retirement age of 63.

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 £681,000 (2016: £762,000), and at the year end employer contributions of £40,000 were due to the scheme but unpaid (2016: £37,000).

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

The Company operates one defined benefit pension scheme in the UK, namely the Press Association Pension Fund (1992) (the "Scheme"). The FRS 102 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 2016 FRS 102 results, updated to 31 December 2017 by a qualified independent actuary. As at each triennial valuation, on-going funding contributions are agreed. Deficit recovery contributions of £12,300,000 were made during 2017. This included a £10,000,000 payment in September 2017 from an Escrow account held by the Group and the Trustees of the Scheme.

The main assumptions used were:	31 December 2017	31 December 2016
Price inflation (RPI)	3.20%	3.50%
Price inflation (CPI)	2.20%	2.50%
Discount rate	2.60%	2.80%
Pensions increases (LPI)	3.10%	3.40%
Life expectancy of male aged 63 in accounting year	24.2 years	24.6 years
Life expectancy of male aged 63 in 20 years after accounting year	26.0 years	26.8 years

Asset distribution and expected return:	31 December 2017		31 December 2016	
	Proportion of total assets %	Fair value £ million	Proportion of total assets %	Fair value £ million
Equities	25.7%	55.3	35.7%	71.2
Index linked gilts	0.0%	0.0	14.6%	29.0
Insured annuities	24.9%	53.6	28.9%	57.4
Diversified Growth Funds	21.5%	46.5	20.7%	41.1
Liability Driven Investments	24.4%	52.6	0.0%	0.0
Other	3.5%	7.5	0.1%	0.3
Total		215.5		199.0
Present value of Scheme liabilities		205.6		219.1
Surplus/(deficit) in the Scheme		9.9		(20.1)

Over the year to 31 December 2017, contributions by the Group of £12,400,000 (2016: £2,100,000) were made to the Scheme. This included additional contributions of £12,400,000 (2016: £2,100,000). At 31 December 2017 £13,300,000 (2016: £23,200,000) 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 2017, no employer contributions were due to the Scheme but unpaid (2016: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

21 PENSIONS (CONTINUED)

Changes in the present value of Scheme liabilities are as follows:	2017 £ million	2016 £ million
1 January	(219.1)	(173.1)
Interest cost	(6.0)	(6.6)
Actuarial gain/(loss) on liabilities	9.9	(46.1)
Benefits paid	9.6	6.7
31 December	(205.6)	(219.1)

Changes in the fair value of Scheme assets are as follows:	2017 £ million	2016 £ million
1 January	199.0	177.3
Interest income	5.6	6.8
Actuarial gain on assets	8.6	19.8
Contributions by the employer	12.4	2.1
Administration expenses	(0.5)	(0.3)
Benefits paid	(9.6)	(6.7)
31 December	215.5	199.0

The actual return on Scheme assets over the year was £14,200,000 (2016: £26,600,000).

The amounts recognised within the profit and loss account are as follows:	2017 £ million	2016 £ million
Administration expenses	0.5	0.3
Net interest on deficit/(surplus)	0.4	(0.3)
Total expense included in the profit and loss account	0.9	-

OCI (credits)/charges for the year are as follows:	2017 £ million	2016 £ million
Return on Scheme assets not included in the net interest cost gain	(8.6)	(19.8)
Changes in assumptions (gains)/losses	(9.9)	46.2
Total (credit)/charge in OCI	(18.5)	26.4

Reconciliation of amount in balance sheet over year:	2017 £ million	2016 £ million
Liability/(asset) at 1 January	20.1	(4.2)
Charged to profit & loss account	0.9	-
Contributions by the employer	(12.4)	(2.1)
OCI (credit)/charge	(18.5)	26.4
(Asset)/liability at 31 December	(9.9)	20.1

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS

The Group has the following financial instruments.

Financial instruments that are debt instruments measured at amortised cost:	2017 £000	2016 £000
Trade receivables	11,511	10,268
Other receivables	5,224	2,812
	16,735	13,080

Financial liabilities measured at amortised cost:	2017 £000	2016 £000
Finance leases	125	173
Trade creditors	2,990	1,605
Accruals and deferred income	11,584	9,079
Deferred consideration	252	306
Other creditors	1,971	2,560
31 December	16,922	13,723