

PA Group Limited

Annual report and financial statements

For the year ended 31 December 2018



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DIRECTORS AND OFFICERS

DIRECTORS

Executive

Mr C P Marshall
Mr A J Dowsett
Mr A G Watson

Chief Executive
Chief Operating Officer
Managing Director, Press Association

Non - Executive

Mr M MacLennan
Ms G Allinson
Ms R Brooks
Mr D J FitzPatrick
Mr S Fox

Chairman
Nominations Committee, Audit Committee
Nominations Committee
Nominations Committee, Remuneration Committee
Nominations Committee, Audit 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 2018.

REVIEW OF BUSINESS

In 2018 the Group delivered another strong year of underlying profit and revenue growth. This was again driven by our data business units, with strong performances also recorded by recent acquisitions.

Headline revenue was £70.2m (2017: £62.3m), a year-on-year improvement of 13%. Operating profit before goodwill amortisation and other exceptional items was £8.4m (2017: £6.2m), an increase of £2.2m (35%) on 2017. Operating profit was £3.1m (2017: £2.7m). Net assets increased during the year by £0.9m to £92.5m, primarily due to an increase in the defined benefit pension scheme asset, although there remains an ongoing funding deficit.

The Group continues to target its long-term growth through acquisitions and organic growth to drive diversification of income streams and establish the Group as the leading provider of cross-platform news, sport, entertainment content and services.

During 2018, the Group invested further outside the traditional media space by acquiring a 95% holding in EBS New Media Limited ("EBS"). EBS is a leading provider of electronic programme guides ("EPG") and video-on-demand metadata to its growing portfolio of specialist media companies. The Group has also secured an option to acquire the remaining shares in EBS.

The Group further increased its shareholding in Stream UK Media Services Limited ("StreamAMG"), a video streaming company that provides online, high-definition video solutions to rights-holders and content owners. The additional 13% stake acquired in the financial year takes the total holding to 74%.

KEY PERFORMANCE INDICATORS

The Group considers revenue and operating profit before adjusting items to be its key performance indicators ("KPI"). The directors also monitor net assets. The Group targets a 5% increase in trading profit on budget. In respect of 2018 the Group achieved this KPI. The KPI was also met in 2017.

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.

A key risk 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, training, technical development, 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.

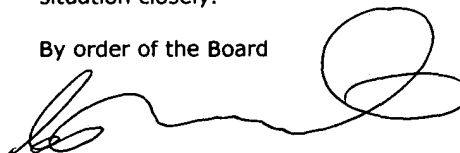
A significant portion of Group revenues are generated through recurring, subscription-based arrangements and sporting rights licenses. The majority of these arrangements have a term of one to three years, typically with renewal provisions spread throughout the financial year. The level of contract exposure is monitored by the directors and the Group seeks to progress revenue contract renewal negotiations well before the contracts are due to terminate. The directors believe that the Group's ability to continue demonstrating value creation for its customers is the best strategy for extending its existing contracts and diversifying its customer base.

Markets for content, data and other services remain highly competitive and are subject to rapid technological changes, and evolving customer demands and needs. New technologies continue to change the competitive landscape, and these market trends demand that the Group's product and service offerings are responsive to this. To this end, the Group continues to invest in enhancing its current products and services, such as the addition of new content and functionalities; develop new products and services; invest in technology; make strategic acquisitions and partner with other businesses in key sectors.

The Group faces risks relating to technical failure and its impact on service provision. The Group therefore regularly reviews the nature of its technology and deploys strategies to mitigate the risk, such as continuously investing in software development and technical hardware to ensure that the Group remains able to provide a strong technical platform and deliver new and improved products to the market and its customers.

The directors note that Brexit remains an important issue for the U.K. However, to date, the impact on the Group has been limited, and no material concerns have been identified. The directors will continue to monitor the situation closely.

By order of the Board



Mr C P Marshall
Chief Executive
28 March 2019

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 2018.

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 other media-related 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 £1.9m (2017: £3.2m). Dividends of £0.5m were approved and paid to non-controlling interests in the year (2017: £Nil). The resulting total comprehensive income for the year of £1.1m has been transferred to reserves (2017: £17.9m).

FUTURE DEVELOPMENTS

The Group enters 2019 well placed to further diversify 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 directors, who served throughout the year and subsequently except as noted, were as follows:

- Ms G Allinson
- Mr K J Beatty (resigned 14 September 2018)
- Ms R Brooks
- Mr T Cobbold (resigned 15 June 2018)
- Mr A J Dowsett
- Mr E Ethelston (resigned 20 December 2018)
- 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
28 March 2019

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 2018, 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 2018 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.

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, 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement 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

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

directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

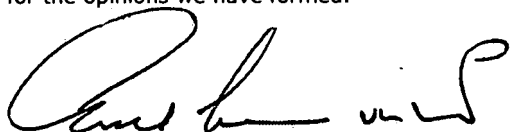
Auditor's responsibilities for the audit of the financial statements

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.

Use of our report

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.



Mark Henshaw

For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

28 June 2019

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	2018 £000	2017 £000
Turnover	1	70,212	62,267
Other operating income		470	641
		70,682	62,908
Staff costs	2	(37,790)	(34,885)
Depreciation and other amounts written off tangible and intangible fixed assets		(6,289)	(5,484)
Other operating expenses		(23,530)	(19,814)
Total operating profit before goodwill amortisation and other exceptional items		8,356	6,169
Amortisation of goodwill and trademarks	8	(3,834)	(2,782)
Other exceptional items	4	(1,449)	(662)
Operating profit		3,073	2,725
Profit on disposal of freehold property		-	208
Other interest receivable and similar income	5	256	150
Interest payable and similar expenses	5	(17)	(9)
Profit on ordinary activities before tax	6	3,312	3,074
Tax on profit on ordinary activities	7	(1,433)	170
Profit on ordinary activities after tax		1,879	3,244
Other comprehensive income			
Acquisition of non-controlling interest		(997)	-
Currency translation differences		(47)	11
Actuarial gain on defined benefit pension scheme assets	20	900	18,500
Movement on deferred tax relating to defined benefit pension scheme assets	14	(171)	(3,561)
Total comprehensive income for the year		1,564	18,194
Profit for the year attributable to:			
Owners of the parent company		1,399	2,942
Non-controlling interests		480	302
Profit for the year		1,879	3,244
Total comprehensive income for the year attributable to:			
Owners of the parent company		1,084	17,892
Non-controlling interests		480	302
Total comprehensive income for the year		1,564	18,194

The notes and accounting policies on pages 12 to 29 form an integral part of these financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 December

Company registration number: 00004197

	Notes	2018 £000	2017 £000
Fixed assets			
Intangible assets	8	15,786	12,955
Tangible assets	9	15,177	14,667
Investments	10	13,981	13,900
		44,944	41,522
Current assets			
Debtors	11	21,555	17,764
Stock	13	354	307
Cash at bank and in hand		37,830	41,052
		59,739	59,123
Creditors: amounts falling due within one year	12	(23,399)	(16,817)
Net current assets		36,340	42,306
Total assets less current liabilities		81,284	83,828
Provisions for liabilities	15	(1,478)	(2,105)
Net assets excluding pension asset		79,806	81,723
Defined benefit pension scheme asset	20	12,700	9,900
Net assets including pension asset		92,506	91,623
Capital and reserves			
Called up share capital	16	7,965	7,965
Profit and loss account	16	83,736	82,652
Equity attributable to owners of the parent company		91,701	90,617
Non-controlling interests	18	805	1,006
		92,506	91,623

These financial statements on pages 7 to 29 were approved by the Board on 28 March 2019 and signed on their behalf by



Mr C P Marshall
Chief Executive

The notes and accounting policies on pages 12 to 29 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

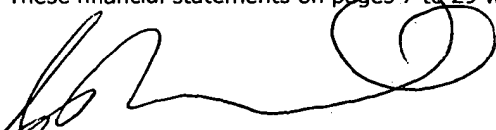
as at 31 December

Company registration number: 00004197

	Notes	2018 £000	2017 £000
Fixed assets			
Tangible assets	9	10,318	10,531
Investments	10	49,950	49,878
		60,268	60,409
Current assets			
Debtors	11	4,566	556
Cash at bank and in hand		26,572	30,279
		31,138	30,835
Creditors: amounts falling due within one year	12	(51,198)	(50,306)
Net current liabilities		(20,060)	(19,471)
Total assets less current liabilities		40,208	40,938
Provisions for liabilities	15	(1,153)	(1,653)
Net assets		39,055	39,285
Capital and reserves			
Called up share capital	16	7,965	7,965
Profit and loss account	16	31,090	31,320
		39,055	39,285

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 £0.2m (2017: £2.3m).

These financial statements on pages 7 to 29 were approved by the Board on 28 March 2019 and signed on their behalf by



Mr C P Marshall
Chief Executive

The notes and accounting policies on pages 12 to 29 form an integral part of these financial statements.

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December

	Notes	2018 £000	2017 £000
Cash inflow from operating activities			
Operating profit		3,073	2,725
Adjustments for:			
Amortisation of goodwill and trademarks	8	3,834	2,784
Depreciation charge	9	2,447	2,700
Provisions against cost of investment	10	-	550
Gain/(loss) on disposal of fixed assets	6	8	(134)
Foreign exchange differences		(70)	(17)
Decrease in provisions		(627)	(1,027)
Difference between pension charge and cash contributions		(1,900)	(1,500)
Decrease/(increase) in debtors		319	(2,381)
Increase in stock		(47)	(58)
Increase in creditors		1,162	2,400
Cash generated from operations		8,199	6,042
Income taxes paid		(423)	(520)
Net cash flow generated from operating activities		7,776	5,522
Cash flows from investing activities			
Payments to acquire tangible fixed assets	9	(2,972)	(1,217)
Receipts from sale of tangible fixed assets		17	474
Payments to acquire other fixed asset investments		(9)	(115)
Purchase of subsidiaries/non-controlling interests	18	(9,391)	(6,236)
Cash acquired with subsidiaries	18	1,795	1,148
Interest received		184	95
Net cash flow used in investing activities		(10,376)	(5,851)
Cash flows from financing activities			
Interest paid		(17)	(9)
Repayment of obligations under finance leases		(89)	(48)
Dividends paid to non-controlling interests		(539)	-
Net cash flow used in financing activities		(645)	(57)
Net decrease in cash and cash equivalents		(3,245)	(386)
Cash and cash equivalents at the beginning of the year		41,052	41,410
Effect of foreign exchange rate changes		23	28
Cash and cash equivalents at the end of the year		37,830	41,052

The notes and accounting policies on pages 12 to 29 form an integral part of these financial statements.

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 2017	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 liabilities	-	18,500	-	18,500
Movement in deferred tax on defined benefit pension scheme liabilities	-	(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
Profit for the year	-	1,399	480	1,879
Other comprehensive income:				
Currency translation differences	-	(47)	-	(47)
Actuarial gain recognised on defined benefit pension scheme assets	-	900	-	900
Movement in deferred tax on defined benefit pension scheme assets	-	(171)	-	(171)
Transactions with owners:				
Non-controlling interest on acquisition of subsidiaries (note 18)	-	-	92	92
Revaluation of non-controlling interest	-	(997)	(234)	(1,231)
Dividends paid to non-controlling interests	-	-	(539)	(539)
At 31 December 2018	7,965	83,736	805	92,506

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 2017	7,965	33,631	41,596
Loss for the year	-	(2,311)	(2,311)
At 31 December 2017	7,965	31,320	39,285
Loss for the year	-	(230)	(230)
At 31 December 2018	7,965	31,090	39,055

The notes and accounting policies on pages 12 to 29 form an integral part of these financial statements.

ACCOUNTING POLICIES

for the year ended 31 December

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.

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
- c) remuneration of key management personnel.

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 2018 was £15.8m (2017: £13.0m). No impairment loss was recognised in respect of investments (2017: £0.6m relating to the investment held in Baize Group Limited). No impairment loss was recognised in respect of goodwill (2017: £Nil).

Provisions

The Group makes provisions in respect of leasehold dilapidation commitments where it is probable 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 2018, the carrying amount of provisions for leasehold dilapidations commitments was £0.3m (2017: £0.2m).

Defined benefit pension scheme assets

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 2018, the Group's gross defined benefit pension scheme asset was £12.7m (2017: £9.9m). Appropriate sensitivities have been performed and disclosed in Note 20.

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 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.

ACCOUNTING POLICIES

for the year ended 31 December

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, contributions of £2.5m per annum until 2024 were 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 2018 was £30,000. This has not been recognised in the Group financial statements as it is not considered material to the financial statements.

d) *Joint ventures*

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

The Group's share of the RADAR AI Limited profit in 2018 was £1,000. 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 amount 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 carrying 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.

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

ACCOUNTING POLICIES

for the year ended 31 December

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 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 probable 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, Sports 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, including EBS.

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.

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 monies received in advance of the subscription or contract commencing are recognised in current liabilities as deferred income.

ACCOUNTING POLICIES

for the year ended 31 December

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.

Multiple component arrangements

When a single sales transaction requires the delivery of more than one product or 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.

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 lessees 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 is 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 within other comprehensive income. 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

ACCOUNTING POLICIES

for the year ended 31 December

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

for the year ended 31 December

1 TURNOVER	2018 £000	2017 £000
GEOGRAPHICAL ANALYSIS		
UK and Ireland	60,269	55,036
Rest of Europe	4,016	2,857
Rest of World	5,927	4,374
Total	70,212	62,267

Turnover relates to rendering of services to the Group's media and other customers.

2 STAFF COSTS AND EMPLOYEE INFORMATION	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Wages and salaries	33,569	30,705	2,291	2,111
Social security costs	3,271	3,067	224	192
Pension costs (note 20)	950	1,113	88	69
	37,790	34,885	2,603	2,372
	Group 2018 Number	Group 2017 Number	Company 2018 Number	Company 2017 Number
Average monthly number of directors and staff employed during the year were:				
Operations	649	643	-	-
Sales	58	54	-	-
Administration	147	137	-	-
Central management	5	5	5	5
	859	839	5	5

3 DIRECTORS' EMOLUMENTS	2018 £000	2017 £000
Group emoluments of the Company's directors:		
Aggregate emoluments all relating to continuing activities	1,419	1,387
Aggregate amounts receivable under long-term incentive schemes	650	438
Defined contribution pension payments	10	10
Sums paid to third parties for directors' services	133	145
	2,212	1,980

Amounts in respect of the highest paid director:

Aggregate emoluments all relating to continuing activities	594	580
Amounts receivable under long-term incentive schemes	371	206
	965	786

Retirement benefits were accruing to one director (2017: one) under a defined benefit pension scheme and one director (2017: one) under defined contribution schemes. Four directors were members of long-term incentive plans (2017: four). See note 15 for details of amounts paid and accruing to directors.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December

4 EXCEPTIONAL ITEMS	2018 £000	2017 £000
Pension fund transfer exercise fees	367	-
Property related costs	712	-
Provisions against cost of investment	-	550
Restructuring costs	164	-
Other	206	112
Total exceptional items	1,449	662

Property related costs comprises legal and other professional fees relating to the sale of the Group's freehold premises at 292 Vauxhall Bridge Road, London and the acquisition of new leasehold premises. Other exceptional items primarily comprise one-off charges relating to non-recurring legal and other professional costs.

5 INTEREST AND SIMILAR ITEMS	2018 £000	2017 £000
Interest receivable on bank deposits	256	150
Total finance income	256	150
Finance lease interest	(17)	(9)
Total finance costs	(17)	(9)

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	2018 £000	2017 £000
Operating profit is stated after charging/(crediting):		
Operating lease rentals – land and buildings	311	331
– plant and machinery	175	135
Exchange gains	(23)	(17)
Amortisation of goodwill (note 8)	3,833	2,782
Amortisation of trademarks (note 8)	1	2
Depreciation of tangible fixed assets (note 9)	2,447	2,700
(Gain)/loss on disposal of fixed assets	(8)	134
Provisions against cost of investment (note 10)	-	550
Property income	(470)	(642)

PAYMENTS TO AUDITORS	2018 £000	2017 £000
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	14	14
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries	78	67
- All other non-audit services	-	185

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2018 £000	2017 £000
Current tax:		
UK corporation tax at 19.00% (2017: 19.25%)	4,723	186
Adjustments in respect of prior periods	(23)	(34)
Double taxation relief	-	(4)
Overseas tax	93	28
Total current tax	4,793	176
Deferred tax:		
Origination & reversal of timing differences	(3,430)	(724)
Adjustments in respect of prior periods	86	(765)
Effect of tax rate change on opening balance	(16)	1,143
Total deferred tax	(3,360)	(346)
Tax charge on profit on ordinary activities	1,433	(170)

The tax for the year is higher (2017: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2018 £000	2017 £000
Profit on ordinary activities before tax	3,312	3,074
At standard rate of corporation tax of 19.00% (2017: 19.25%)	629	592
Effects of:		
Expenses not tax deductible	950	536
Income not taxable for tax purposes	(42)	(40)
Foreign tax suffered	(93)	(103)
Foreign tax credits	33	25
Adjustments in respect of prior periods	(23)	(799)
Depreciation on ineligible fixed assets	-	157
Effects of rates on changes on deferred tax	(62)	(501)
Deferred tax not recognised	41	(32)
Other permanent differences	-	(5)
	1,433	(170)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The standard rate of corporation tax was 19.00% through 2018. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 19.00% (2017: 19.25%).

Further reduction to the UK corporation tax rates were substantively 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December

8 INTANGIBLE FIXED ASSETS

	Goodwill £000	Trademarks £000	Total £000
GROUP			
Cost:			
At 1 January 2018	35,766	11	35,777
Addition on acquisition of subsidiary (note 18)	6,665	-	6,665
At 31 December 2018	42,431	11	42,442
Accumulated amortisation:			
At 1 January 2018	22,816	6	22,822
Charge for the year	3,833	1	3,834
At 31 December 2018	26,649	7	26,656
Net book amount:			
At 31 December 2018	15,782	4	15,786
At 31 December 2017	12,950	5	12,955

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

for the year ended 31 December

9 TANGIBLE FIXED ASSETS

	Freehold property £000	Computers and other office equipment £000	Total £000
GROUP			
Cost:			
At 1 January 2018	15,802	27,356	43,158
Additions on acquisition of subsidiaries	-	23	23
Additions at cost	-	2,972	2,972
Eliminated on disposal	-	(363)	(363)
At 31 December 2018	15,802	29,988	45,790
Accumulated depreciation:			
At 1 January 2018	5,299	23,192	28,491
Additions on acquisition of subsidiaries	-	14	14
Charge for the year	212	2,235	2,447
Eliminated on disposal	-	(339)	(339)
At 31 December 2018	5,511	25,102	30,613
Net book amount:			
At 31 December 2018	10,291	4,886	15,177
At 31 December 2017	10,503	4,164	14,667

Computers and other office equipment with a carrying value of £39,000 (2017: £97,000) are held under finance leases.

	Freehold property £000	Computers and other office equipment £000	Total £000
COMPANY			
Cost:			
At 1 January 2018	15,802	116	15,918
Additions at cost	-	11	11
At 31 December 2018	15,802	127	15,929
Accumulated depreciation:			
At 1 January 2018	5,299	88	5,387
Charge for the year	212	12	224
At 31 December 2018	5,511	100	5,611
Net book amount:			
At 31 December 2018	10,291	27	10,318
At 31 December 2017	10,503	28	10,531

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. During 2018 the Group exchanged contracts to dispose of its freehold interest in this property which is expected to complete in 2019. At 31 December 2018, the carrying value of this property was £7.3m.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December

10 FIXED ASSET INVESTMENTS

	Group £000	Company £000
Cost:		
At 1 January 2018	14,450	88,999
Additions	81	72
At 31 December 2018	14,531	89,071
Provision against cost of investment:		
At 1 January and at 31 December 2018	550	39,121
Net book amount:		
At 31 December 2018	13,981	49,950
At 31 December 2017	13,900	49,878
	Group £000	Company £000
Total fixed asset investments comprise:		
Interest in subsidiaries	-	36,622
Interest in associates	329	-
Other fixed asset investments	13,652	13,328
At 31 December 2018	13,981	49,950

Other fixed asset investments include £13.3m (2017: £13.3m) cash held in Escrow to meet potential future defined benefit pension liabilities.

The directors believe that the carrying values of investments 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:		ADDRESS
		DIRECT	INDIRECT	
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)
PAPF Trustee 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	-	74%	(e)
Stream Malta Limited	Online video solutions	-	74%	(f)
Stream Benelux B.V.	Online video solutions	-	74%	(g)
Stream España Sucursal en España	Online video solutions	-	74%	(h)
The Press Association of Australia Pty Limited	Overnight news and sport information	-	100%	(i)
EBS New Media Limited	Television data services	-	95%	(j)
Gipsymedia Limited	Non-trading	-	95%	(j)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December

10 FIXED ASSET INVESTMENTS (CONTINUED)

The associate and joint venture 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%	(k)
Blackball Media Limited	Motoring editorial, events and PR services	25%	(k)
On-Cue Communications Limited	Motoring editorial, events and PR services	25%	(l)
RADAR AI Limited	Automated news services	50%	(a)

(a) Address: PA NewsCentre, 292 Vauxhall Bridge Road, London, SW1V 1AE.

(b) Address: One Central Quay, Glasgow, Lanarkshire, G3 7EE.

(c) Address: 39/40 Upper Mount Street, Dublin 2, Co. Dublin, D02 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 Zoetermeer, 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: The Chequers, 28 Whitehorse Street, Baldock, Hertfordshire, SG7 6QQ.

(k) Address: 23 Haslar Marine Technology Park, Haslar Road, Gosport, Hampshire, PO12 2AG.

(l) Address: Wood, Hicks & Co. Units 1-2 Warrior Court, 9-11 Mumby Road, Gosport, Hampshire, PO12 1BS.

11 DEBTORS	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade debtors	12,161	11,511	-	330
Other debtors	1,167	707	87	-
Prepayments and accrued income	3,545	4,517	95	53
Corporation tax recoverable	464	-	-	-
Deferred tax asset (note 14)	4,218	1,029	4,384	173
	21,555	17,764	4,566	556

During the year, an impairment loss of £410,000 (2017: £47,000) was recognised in respect of trade debtors who are known to be in financial difficulty and from whom payment was overdue.

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade creditors	3,176	2,990	-	-
Amount owed to subsidiary undertakings	-	-	49,790	48,879
Other taxation and social security	2,511	1,805	60	31
Corporation tax	5,141	147	200	-
Other creditors	168	166	2	1
Accruals and deferred income	12,367	11,584	1,146	1,395
Finance lease (note 17)	36	125	-	-
	23,399	16,817	51,198	50,306

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 2018 £000	Group 2017 £000
Finished goods	354	307

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December

14 DEFERRED TAX ASSET

	Group £000	Company £000
At 1 January 2018	1,029	173
Transfer from profit and loss account	3,360	4,211
Pension scheme liability movements	(171)	-
At 31 December 2018	4,218	4,384

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
The deferred tax asset comprises:				
Fixed asset timing differences	955	1,153	(115)	(108)
Capital losses	(1,238)	-	-	-
Other timing differences	4,501	(124)	4,499	281
	4,218	1,029	4,384	173

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 £0.5m 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 calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on jurisdictional tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

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 £2.1m (2017: £2.1m).

15 PROVISIONS FOR LIABILITIES

	Deferred consideration £000	Management incentive plans £000	Leasehold dilapidations £000	Total £000
GROUP				
At 1 January 2018	252	1,653	200	2,105
Utilised in the year	(252)	(1,150)	(9)	(1,411)
Adjustments in the year	-	-	(173)	(173)
Charged to profit and loss account	-	650	307	957
At 31 December 2018	-	1,153	325	1,478
COMPANY				
At 1 January 2018	-	1,653	-	1,653
Utilised in the year	-	(1,150)	-	(1,150)
Charged to profit and loss account	-	650	-	650
At 31 December 2018	-	1,153	-	1,153

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 of £1.2m were paid under this scheme in 2018. A new long-term incentive plan was set up in 2017 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 £1.2m (2017: £0.5m).

Deferred consideration relates to acquisition costs on the Stream acquisition and was fully settled in the year. Other provisions relate to contractual obligations to reinstate leasehold properties into their original state of repair at the end of the lease. The provisions are calculated with reference to the expired portion of the individual lease agreements where such a clause exists in the lease contract.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December

16 SHARE CAPITAL & RESERVES

	2018 £000	2017 £000
7,965,000 (2017: 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	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
The Group and parent Company are committed to make the following payments next year under operating leases:				
Less than one year				
- land and buildings	1,245	307	918	-
- plant and machinery	172	202	-	-
Between one and five years				
- land and buildings	3,905	490	3,671	-
- plant and machinery	182	253	-	-
More than five years				
- land and buildings	9,201	-	9,177	-
	14,705	1,252	13,766	-

FINANCE LEASE AND HIRE PURCHASE CONTRACTS

	Group 2018 £000	2017 £000
The total future minimum lease payments are payable:		
Less than one year	36	89
Between one and five years	-	36
	36	125

Obligations under finance leases are secured by the related assets and bear finance charges at a rate of 9.56% per annum (2017: 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

for the year ended 31 December

18 ACQUISITIONS

On 30 April 2018, the Group acquired 95% of the issued share capital of EBS New Media Limited ("EBS"). EBS is a company incorporated in England which is a leading provider of electronic programme guides and video-on-demand metadata. EBS also owns 100% of ordinary shares in the following subsidiary: Gipsymedia Limited, a company incorporated in England.

The cost of the acquisition comprised cash consideration of £7.9m, deemed consideration of £0.3m, and acquisition costs of £0.3m.

The Group's consolidated turnover and consolidated profit after tax comprise turnover of £1.9m and profit after tax of £0.7m contributed by EBS between the date of its acquisition and 31 December 2018.

The goodwill arising on acquisition of £6.7m is considered to have a useful life of 5 years.

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

	Fair value at date of acquisition £000
Tangible fixed assets	9
Trade debtors	459
Other debtors	262
Cash at bank	1,795
Total assets	2,525
Trade creditors	(442)
Taxation	(160)
Other creditors	(52)
Accruals and deferred income	(22)
Total liabilities	(676)
Net assets	1,849
Non-controlling interest	(92)
Goodwill	6,665
Total consideration	8,422
Satisfied by:	
- cash	7,855
- deemed consideration	262
- acquisition cost	305

On 13 June 2018, the Group exercised its option to acquire an additional 13% of the issued share capital of Stream UK Media Services Limited for total consideration of £1.2m, taking the Group's total interest in the company to 74%. Contingent consideration in relation to the company of £0.3m was also paid during the year, see note 15.

NON-CONTROLLING INTERESTS

	Group	
	2018 £000	2017 £000
At 1 January	1,006	-
Additions	92	704
Profit for the financial year	480	302
Dividends paid	(539)	-
Revaluation of non-controlling interest	(234)	-
At 31 December	805	1,006

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December

19 NET DEBT RECONCILIATION	1 January 2018 £000	Cash flow £000	Acquisition of subsidiary £000	Exchange movement £000	31 December 2018 £000
Cash at bank and in hand	41,052	(5,040)	1,795	23	37,830
Finance leases	(125)	89	-	-	(36)
Net debt	40,927	(4,951)	1,795	23	37,794

20 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). Total employer contributions to the defined contribution schemes for the year were £0.6m (2017: £0.7m).

The Group also operates other pension scheme arrangements for staff not eligible to join the Press Association Pension Fund (1992) or defined contribution schemes. At the year end employer contributions of £57,000 were due to these schemes but unpaid (2017: £40,000).

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 2017 FRS 102 results, updated to 31 December 2018 by a qualified independent actuary. As at each triennial valuation, on-going funding contributions are agreed. Deficit recovery contributions of £2.6m were made during 2018.

The main assumptions used were:	31 December 2018	31 December 2017
Price inflation (RPI)	3.20%	3.20%
Price inflation (CPI)	2.20%	2.20%
Discount rate	2.90%	2.60%
Pensions increases (LPI)	3.10%	3.10%
Life expectancy of male aged 63 in accounting year	24.2 years	24.2 years
Life expectancy of male aged 63 in 20 years after accounting year	26.0 years	26.0 years

Asset distribution and expected return:	31 December 2018		31 December 2017	
	Proportion of total assets %	Fair value £ million	Proportion of total assets %	Fair value £ million
Corporate bonds	3.7%	7.7	-	-
Fixed interest gilts	6.8%	14.4	-	-
Equities	-	-	25.7%	55.3
Index linked gilts	50.9%	107.7	-	0.0
Insured annuities	23.6%	50.0	24.9%	53.6
Diversified Growth Funds	-	-	21.5%	46.5
Liability Driven Investments	13.3%	28.1	24.4%	52.6
Other	1.7%	3.6	3.5%	7.5
Total		211.5		215.5
Present value of Scheme liabilities		(198.8)		(205.6)
Surplus in the Scheme		12.7		9.9

Over the year to 31 December 2018, contributions by the Group of £2.8m (2017: £12.4m) were made to the Scheme. This included additional contributions of £2.8m (2017: £12.4m). At 31 December 2018 £13.3m (2017: £13.3m) 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 2018, no employer contributions were due to the Scheme but unpaid (2017: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December

20 PENSIONS (CONTINUED)

Changes in the present value of Scheme liabilities are as follows:

	2018 £ million	2017 £ million
1 January	205.6	219.1
Past service cost	0.5	-
Interest cost	5.2	6.0
Actuarial gain on liabilities	(4.3)	(9.9)
Benefits paid	(8.2)	(9.6)
31 December	198.8	205.6

Changes in the fair value of Scheme assets are as follows:

	2018 £ million	2017 £ million
1 January	215.5	199.0
Interest income	5.5	5.6
Actuarial (loss)/gain on assets	(3.4)	8.6
Contributions by the employer	2.8	12.4
Administration expenses	(0.7)	(0.5)
Benefits paid	(8.2)	(9.6)
31 December	211.5	215.5

The actual return on Scheme assets over the year was £2.1m (2017: £14.2m).

The amounts recognised within the profit and loss account are as follows:

	2018 £ million	2017 £ million
Administration expenses	0.7	0.5
Past service cost in respect of GMP equalisation	0.5	-
Net interest on (surplus)/deficit	(0.3)	0.4
Total expense included in the profit and loss account	0.9	0.9

OCI (credits)/charges for the year are as follows:

	2018 £ million	2017 £ million
Return on Scheme assets not included in the net interest cost losses/(gains)	3.4	(8.6)
Changes in assumptions gains	(4.3)	(9.9)
Total credit in OCI	(0.9)	(18.5)

Reconciliation of amount in balance sheet over year:

	2018 £ million	2017 £ million
(Asset)/liability at 1 January	(9.9)	20.1
Charged to profit & loss account	0.9	0.9
Contributions by the employer	(2.8)	(12.4)
OCI credit	(0.9)	(18.5)
Asset at 31 December	(12.7)	(9.9)

NOTES TO THE FINANCIAL STATEMENTS

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21 FINANCIAL INSTRUMENTS

The Group has the following financial instruments.

Financial instruments that are debt instruments measured at amortised cost:	2018 £000	2017 £000
Trade debtors	12,161	11,511
Accrued income and other debtors	4,712	5,224
	16,873	16,735
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Financial liabilities measured at amortised cost:	2018 £000	2017 £000
Finance leases	36	125
Trade creditors	3,176	2,990
Accruals	4,790	4,838
Deferred consideration	-	252
Other creditors	168	165
31 December	8,170	8,370

22 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.

See note 3 for information relating to remuneration of key management personnel.

The Company provides administrative services to the Group's defined benefit pension scheme. At 31 December 2018 no amounts were owed by the scheme to the Group in relation to expenses paid on the Scheme's behalf (2017: £35,000).

23 POST BALANCE SHEET EVENTS

During 2018 the Group exchanged contracts to dispose of its freehold interest in property at 292 Vauxhall Bridge Road, London. The contract is expected to complete in 2019. At 31 December 2018, the carrying value of this property was £7.3m.