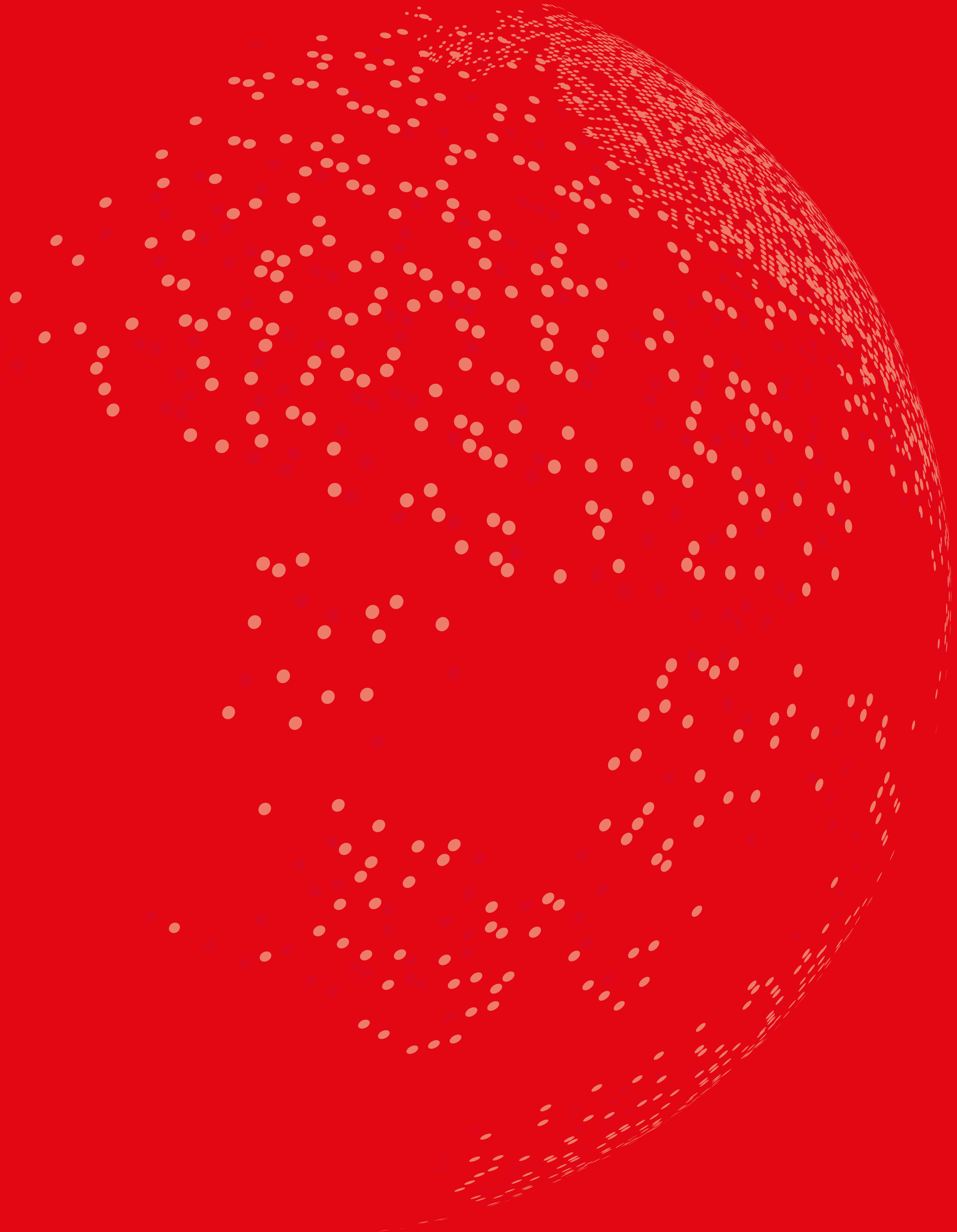
The Economist Group

Annual report 2020



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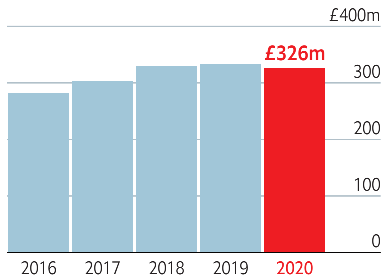
Five-year summary

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Income statement—continuing business*					
Revenue	326	333	329	303	282
Operating profit	31	31	38	43	47
Profit after taxation	21	25	28	39	37
Profit on sale of CQ-Roll Call, Inc	-	43	-	-	-
Profit on sale of Economist Complex	-	-	-	-	110
Balance sheet					
Non-current assets	158	160	167	174	146
Net borrowings	(119)	(94)	(116)	(105)	(97)
Deferred income	(119)	(105)	(119)	(125)	(105)
Other assets and liabilities (net)	(18)	(16)	(23)	(42)	(21)
Net liabilities	(98)	(55)	(91)	(98)	(77)
Ratios					
Operating profit to revenue	9.6%	9.3%	11.4%	14.1%	16.6%
Basic earnings per share	106.5p	343.0p	176.8p	207.3p	634.3p
Basic earnings per share (continuing businesses)	106.5p	124.5p	140.5p	191.1p	157.0p
Normalised earnings per share (excluding non-operating exceptional items)	106.5p	126.2p	176.8p	192.5p	198.3p
Dividends and share price					
Total dividend per share paid in the year	115.0p	149.0p	181.1p	193.2p	152.8p
Final and interim dividend proposed per share	40.0p	120.0p	165.1p	183.4p	183.4p
Times covered (excluding non-operating exceptional items)	2.7	1.1	1.1	1.1	1.1
Indicative share value	£23.00	£25.50	£28.50	£31.00	£33.00
Dividend yield	1.7%	4.7%	5.8%	5.9%	5.6%

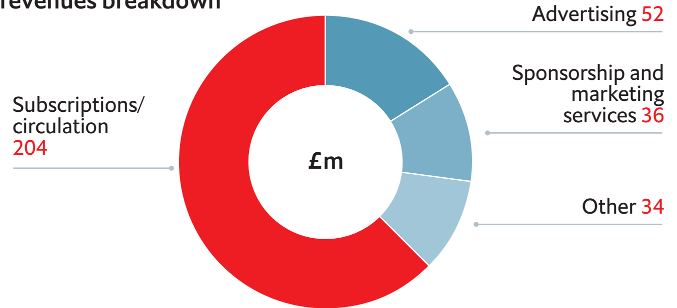
*Income statement restated to exclude CQ-Roll Call and Ryder Street Properties results.

Group overview

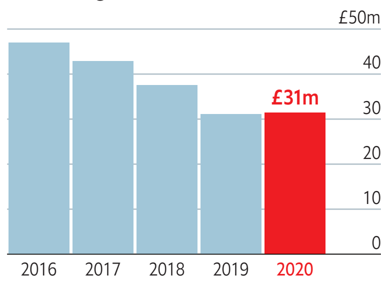
Group revenues
Continuing businesses



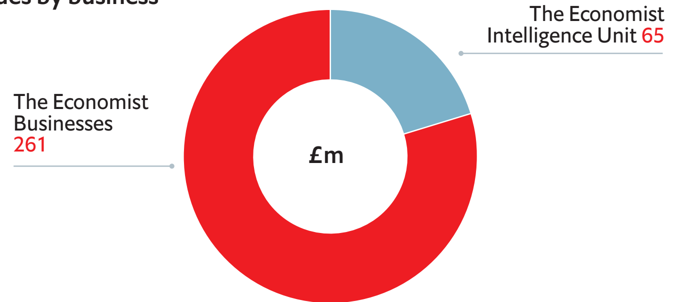
Group revenues breakdown
2020



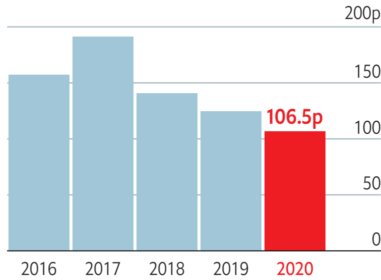
Group operating profit
Continuing businesses



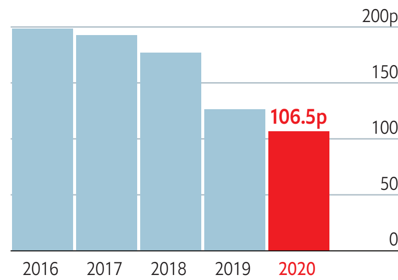
Revenues by business
2020



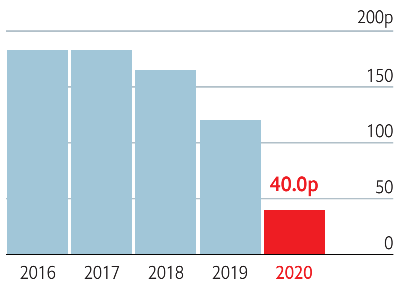
Basic earnings per share
Continuing businesses



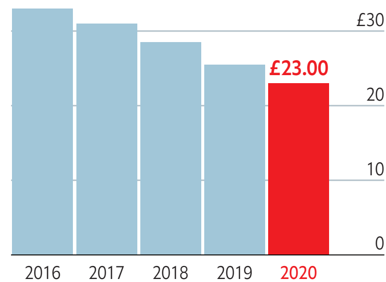
Normalised earnings per share



Proposed dividend per share



Indicative share value



A description of the Group's principal risks and uncertainties can be found under the heading of Internal control in the Directors' report on pages 26-27.

From the chairman

Last year the Group achieved revenue of £326m, 2% less than in 2019, and profit after tax of £21.2m, compared with £24.8m in the previous year. Earnings per share declined, by 18.0p, to 106.5p per share. While we would have preferred the numbers to have improved, this was not a bad result given the context of the markets in which we operate, the investment we continued to make in the business, and the impact of the covid-19 pandemic in the final quarter.

We increased prices of the newspaper last year. We expected subscriber numbers to fall as a result, which they duly did, but renewals were stronger than anticipated. As a result, we ended the year with 1,032,000 subscribers, 91,000 lower than in 2019; and, with the price rise, revenue per copy grew 14%. We reduced our circulation-marketing expenditure by £11m and shifted more of the circulation effort to the retention of existing subscribers. This is one area of the business where covid-19 has had a positive impact, as explained by Lara Boro in her report.

We continued to invest in our digital capabilities and in our editorial products, with the launch of a new Economist app on Android in December, as well as new audio and Daily Watch content from our film division. Our podcasts attract around 2m listeners and between 13m and 15m downloads per month. In March, Economist Radio (as we call our podcasts product line) had around 2.5m unique listeners and nearly 19m downloads, bringing its total downloads for the year to more than 175m.

We updated Economist.com, improving site performance and reliability, leading to an increased rate of conversion of visitors to subscribers, as well as a better subscriber experience. In the last interim report, I explained that we were reviewing the project to replace our core subscription-management system in the light of new requirements, new solutions in the market, and our digital product strategy. We have now completed this exercise, and have regretfully decided to write off £12m of the carrying value of £16m of our investment to date. We have now started work on a new customer-experience platform, under the supervision of our new leadership team and a committee of the Board.

The covid-19 pandemic had already had a significant impact on the business by the year-end, with the first effects felt in Asia from January 2020. The business areas most affected were advertising, marketing services and events, where we had to cancel a number of planned projects including important events such as the World Oceans Summit 2020.

In the Client Solutions division, which was hardest hit by covid-19, advertising (which contributes around 16% of Group revenue) declined by 9%, including a 24% decline in Asia. *The World In* continued its good run, with the 2020 issue generating interest from contributors and advertisers and matching last year's revenues.

The events business ran a number of new events, including Physical Climate Risk, Safe Cities and Feeding the Future. However, it was affected by political disruptions and protests in China and Hong Kong, as well as the impact of covid-19 in the fourth quarter. As a result, revenues were 29% behind last year. A bright spot was the EuroFinance International event, which took place in Copenhagen in October 2019 and achieved record revenues, with 5% growth on last year.

The Economist Intelligence Unit's revenues fared reasonably well, improving slightly over last year, although profit declined as we invested in its digital and sales capabilities. Encouragingly, the core subscription-business's renewal rate was even higher than last year, at over 91%. The healthcare division, EIU Healthcare, was a particular bright spot, with revenues increasing 24%.

During the year, in line with most private-sector companies, the Group closed the defined-benefit pension scheme to future accruals, resulting in a one-off

non-cash gain to the P&L of £36m. The scheme had become a significant burden and risk for the company and a suitable compromise was reached with the remaining active members, to whom we are grateful for agreeing to the withdrawal of what was a valued benefit.

Net debt at the end of the year amounted to £119m, comprising cash of £24m and debt of £143m. The debt figure comprises bank debt of £110m and, for the first time under new accounting standards, lease liabilities of £33m. Excluding lease liabilities, net debt stood at £86m (2019: £94m).

It is perhaps unusual for a chairman to address the year ahead in a report about the year just gone; however, we live in exceptional times, with the covid-19 pandemic bringing unprecedented disruption to people's lives and to the global economy. It is obvious that this year will be difficult and that we therefore need to ensure the business is in the best possible health to weather this storm. As I explained when I wrote to you in May, The Economist Group has been and, at the time of writing, continues to be adversely affected, particularly in events, advertising and marketing services. We are pushing through significant cost savings throughout the business, which include closing our agency business, TVC, the Board waiving its fees for at least six months, pay cuts for the leadership team and, unfortunately, redundancies; and we are at the same time trying to make the most of the opportunities that have arisen. However, these actions will not be enough to make up for the lost revenue. With our net debt and the outlook for the business threatening to push the Group towards (and past) its banking covenants, we have recently agreed new covenants with our banks. I hope shareholders will understand that the Group needs to conserve cash; and, therefore, the Board has reached the difficult decision not to recommend a final dividend.

Finally, I would like to welcome Diego Piacentini to the Board, in addition, of course, to our new CEO, Lara Boro. We are in good hands to make the best of 2021, and to move forward once the worst of the covid-19 pandemic is behind us.

PAUL DEIGHTON

From the chief executive

I WAS DELIGHTED to join the Group in September and have the opportunity to lead and work alongside some of the best talent in international media and business information. As reported figures highlight, we delivered solid profits for the year despite the impact of covid-19 in the last quarter on our events, advertising and marketing-services business lines.

While it is still early in my tenure, I see profitable growth opportunities from simplifying our business operations, breaking down silos to operate at greater scale, enhancing our digital capabilities and providing new and more integrated propositions to our customers. My focus is on transitioning the business culture, structure and operating rhythm to enable us to take full advantage of future customer opportunities.

Over the past six months we have taken the first steps on that journey, strengthening the leadership team with the addition of newly created roles for the Group: a North-America-based president for *The Economist* newspaper, a chief information officer and a chief product officer. This new team will be key to enhancing and building new digital products in the core newspaper business, as well as in the EIU and beyond. We have also appointed an experienced managing director for the events business as we look to leverage our content, connections and convening power to deliver large-scale events, addressing topics which naturally align with *The Economist* brand.

In assessing whether our digital capabilities can support our ambitions for the business, we have also reviewed historical investments in digital customer platforms. We have reluctantly reached the view that the platform we set out to build four years ago is unlikely to deliver the capabilities and benefits we now believe are needed by the business or customers.

Our vision for the future is underpinned by the desire to design and deliver a digital customer experience across all of our products that is as excellent as our content and deserving of our brand. This will require a more rapid and technologically less complex approach to building what we are calling a Future Customer Experience (FCX) platform, which we aim to roll out to many of our digital customers as early as next financial year. The Board approved the first stage of this foundational investment in March. When completed, our FCX platform will allow us to improve customer retention, increase the efficiency of our customer acquisition and rapidly launch new digital offerings across all of our businesses.

Looking back at this year, we delivered 6% growth in *The Economist* circulation revenue, driven by our three-yearly price increases. Revenue per copy grew from £2.48 to £2.82. We improved the efficiency of our acquisition marketing in the second half of the year and spent £11m less than last year as we refocused our activities on those channels that demonstrated the best return over the average subscription lifetime of our customers.

Since my arrival, our immediate focus has been on better understanding our readers, on engaging them digitally and on retaining them. Only when we achieve this can we further improve the effectiveness and efficiency of our acquisition efforts. We have appointed a vice-president of retention and mobilised a cross-functional task-force around her to implement enhancements to our content, product, customer experience, service and operations. Early results are encouraging.

The EIU business remains robust, delivering 1% revenue growth and improving subscriber retention from an already impressive 90% to over 91%. As in the core newspaper, the digital and product infrastructure underpinning this business needs further investment, as does its go-to-market capacity. The team have embraced product development and have refocused sales teams on new business development, having

undertaken detailed market-mapping work to pinpoint specific customer opportunities for our sales teams to target. The consulting businesses were a mixed bag: the healthcare division's revenue grew 24%, driven by strong sales across Europe and Asia; on the other hand Canback, our consumer-consulting division, fell short of expectations by 11%.

Our events business had a challenging year, with most of our scheduled events being postponed or cancelled from January 2020 onwards due to the pandemic. Advertising, content marketing and client-solutions offerings were also under pressure throughout the year, with the crisis amplifying the challenges during the last quarter. While it is difficult to foresee the length or depth of the impact of the pandemic on our customers' businesses, we expect that these business lines will continue to be disrupted in the medium term. Nevertheless, we anticipate a flight to quality for what marketing dollars there will be in our market and are actively working on developing new propositions, such as virtual events, to capture opportunities that emerge.

To end on a more positive note, the heightened interest in trusted information and insight delivered record traffic, registrations and new subscriber numbers on Economist.com, our apps and our podcasts in March. We anticipate this positive trend to continue into next year. We have advanced plans to augment our digital propositions and customer experiences to repay the trust of our loyal readers, customers and shareholders. I look forward to reporting on these next year. In the meantime, I would like to thank all my colleagues for continuing to deliver world-class insight and information to our customers during these unprecedented times.

LARA BORO

From the editor

THIS HAS BEEN a year in two parts: the nine months before the pandemic struck, in what now seems like another world, and the era of covid-19.

Pre-covid, the year had several journalistic highlights. We published *The Economist's* first ever issue devoted to a single subject. The climate cover, a striking striped graphical representation of rising temperatures, set the tone for an issue in which every section examined an aspect of global warming and its consequences. It attracted huge attention. So, too, did another cover story featuring an exclusive interview with Emmanuel Macron, in which the French president called NATO "brain dead".

In an eventful year in British politics, Boris Johnson featured prominently. Tumultuous global events forced their way onto the cover, from protests in Hong Kong to America's tensions with Iran. But we also found space for mind-stretching analyses, from the promise of synthetic biology to a presciently sceptical assessment of tech unicorns. A remarkable piece of journalism was born from one of the year's most difficult episodes. Nicolas Pelham, our Middle East correspondent, wrote a powerful account in *1843* of his involuntary sojourn in Tehran last July, after he was prevented from leaving the country for six weeks.

We first put the coronavirus on the cover of our editions in North America and Asia on February 15th, with the world covered in a Chinese-flag mask. As the pandemic spread and the scale of its consequences unfolded, we brought all our journalistic firepower to bear on the story.

As covid lockdowns changed life for our readers, we made changes to the newspaper. In "Home entertainment", our correspondents offered ideas for enjoyable diversions in confinement. We introduced "schools briefs" to improve minds, young and old. We invited prominent outside contributors, from Mark Carney to Bill Gates, to imagine the world after covid-19. The pandemic also changed the way we work. Since mid-March the paper has been produced entirely remotely.

The covid era has highlighted the importance of our digital products. Fortunately, we had made several big changes this year to strengthen our digital journalism. We remade Economist.com to give visitors a cleaner, premium experience. We expanded our portfolio of newsletters, launching new titles on climate change and the 2020 election in America, a subscriber-only newsletter that gives readers a sense of how we chose each week's cover image and, most recently, a covid-19 supplement to our main weekly newsletter. We streamlined and focused our social-media activity, generating substantial growth in referral traffic as a result.

Podcasts go from strength to strength, with 70% growth during the year to a monthly audience of some 2.5m listeners. Our flagship daily show, "The Intelligence", has now had over 100m downloads and has a monthly audience of 1.5m. Our newest podcast, "Checks and Balance", a weekly look at a theme shaping American politics, has already built up a large, loyal listenership and high marks from reviewers. With 236m views across a range of platforms, and more than 1m followers on YouTube, Economist Films has had another strong year. From food prices to Hong Kong protests, its "explainer" films effectively translate *Economist*-style analysis into a new medium.

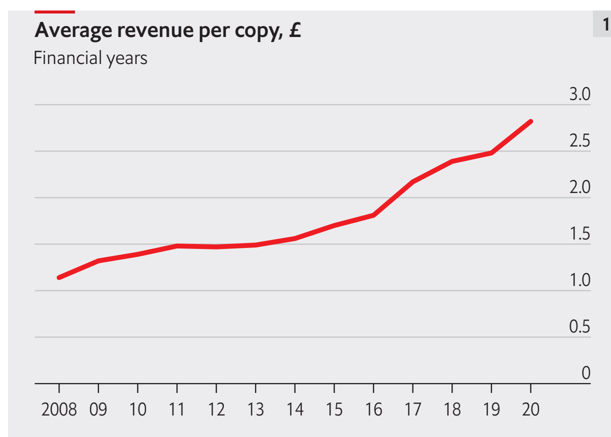
All this activity won external plaudits. *The Economist* was named international media brand of the year at the British Media Awards. Sarah Maslin, our Brazil correspondent, won an American Society of Magazine Editors NEXT award for journalists under 30. Catherine Brahic, environment editor, was named British science journalist of the year by the Association of British Science Writers. Rosie Blau, editor of *1843*, won the British Society of Magazine Editors' "Editor of the Year" award for monthly publications.

ZANNY MINTON BEDDOES

Business review: the year in detail

The Economist's circulation

In circulation, we saw revenues rise 6%, while paid subscriber volumes fell by 8%, to 1,032,000. Those numbers tell the underlying story of the year: the price increase introduced in March 2019 boosted revenue per copy (by 14%) but, as expected, dampened total volumes. Customer retention held better than planned throughout the price rise, signalling the strength and commitment of our core reader base.



During the summer and again in the autumn we cut our investment in acquisition marketing on the lowest-performing channels and refocused activity to target customers with the highest propensity to renew. With this change we reduced the annual marketing budget by 17%, which greatly improved contribution, and we laid the groundwork for lower rates of churn.

Subscription momentum began to improve in January. Driving the turnaround was the relaunch of Economist.com, our single most important generator of new subscriptions, which had underperformed on audience traffic, and hence subscription conversions, for much of the year. The new site, combined with strong end-of-year campaigns, sent volumes rising. By March the covid-19 story was dominating the newspaper and the website; with that coverage came a surge in audience numbers and engagement, along with new subscriptions. In the second half of March, average daily subscriptions via Economist.com were double the numbers for the prior year.

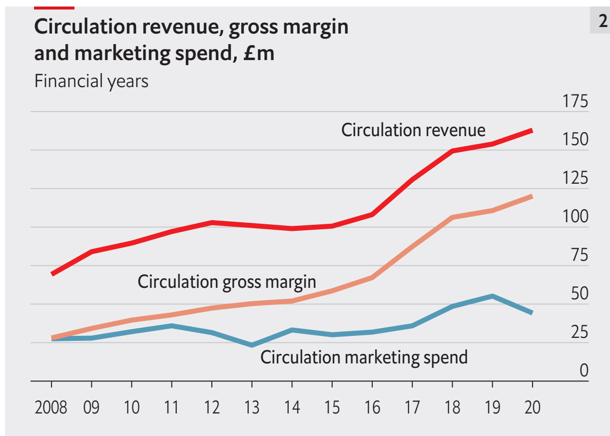
The coronavirus pandemic introduced operational challenges to the printing and distribution of the newspaper. Despite government lockdowns and supply-chain obstacles, we delivered the print edition to more than 95% of our subscriber base, and took steps during this time to encourage readers to access our coverage through digital products like the website, apps, newsletters and podcasts.

In the second half of the year retention became a major focus. In previous years our considerable attention paid to acquiring new subscribers had not been met by a similar effort to renew them. This year we recruited new leadership on retention and put more emphasis on promoting digital products, backed by data linking retention to digital engagement. Programmes include onboarding initiatives to welcome and orient new joiners, newsletters to better connect with readers, push notifications in our apps, and more deliberate and creative efforts to rescue customers when they seek to cancel their subscriptions.

The year was marked by new product offerings as well as recognition for our journalism and marketing (a number of which are described in the editor's report on page 8). We relaunched Economist.com in December to provide a cleaner, premium experience to readers, and to underscore that *The Economist* produces analysis rather than breaking news. The centrepiece of the new digital experience is The Economist Today, a selection of stories across five content categories that represent the best of *The Economist's* journalism, handpicked each day. To take advantage of interest in US politics and the upcoming presidential election, we created a podcast and accompanying newsletter, both called "Checks and Balance." Our flagship podcast on Economist Radio, The Intelligence, was named one of Apple's best podcast listens of 2019 and was included in the "Covid-19: Essential Listening" collection on Apple Podcasts. Economist Films won a Webby Award for its feature on how MDMA is being used to treat post-traumatic stress disorder. And *1843* is a finalist for a US National Magazine Award for Design. On the marketing side we won recognition for a Brexit campaign featuring a lorry draped in Economist red with the line "Tired of going round in circles?" that did repeated tours of roundabouts near Westminster. And we won two golds from the ANA International Echo Awards for the 2019 World Cup content marketing campaign.

We enter the new fiscal year buoyed by subscription momentum and committed to a strategic transition from an acquisition-led circulation model to a customer-first focus built on retention, user experience and first-in-

class service. At the center of this transition is the Future Customer Experience platform, which will allow us to better understand, serve and market to our customers. We are also testing new headline offers, preparing to replace our "12-for-12" standby (12 issues for £12 or $12) with an offer aimed at attracting readers inclined to have a long relationship with *The Economist*. And we're working on new digital and audio products, and new product bundles, to give customers choices about how they consume our journalism.

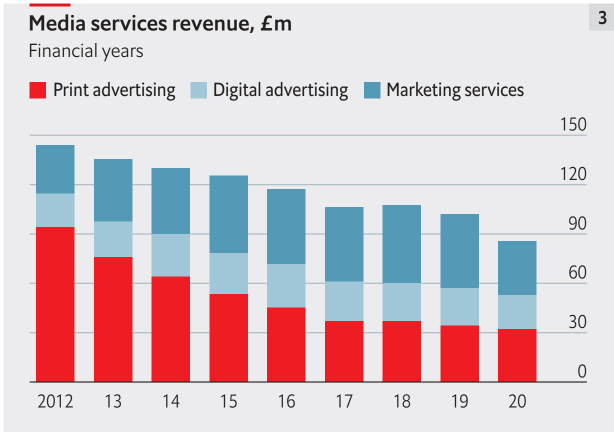


Client Solutions

The Client Solutions business is where we grouped most of our efforts aimed at addressing clients' marketing and public-relations needs. We have now repositioned that unit to centre it around our public-policy and thought-leadership expertise, complemented by a range of marketing services aimed at engaging our highly influential global audience. This differentiates our offering in an increasingly crowded and competitive market.

It was very much a year of two halves for our advertising lines. Having largely stabilised years of revenue and profit decline driven by the reduction in demand for print advertising (see chart 3), advertising revenues were stable until the end of October. From October onwards the impact of uncertainty caused by Brexit, the disruption caused by protests in Hong Kong and then, most dramatically, the covid-19 pandemic, led many clients to pause, re-appraise or cancel marketing campaigns. As a result, advertising revenues in the last five months of the year fell by 20% compared with the same period last year.

One bright spot in this challenging landscape has been the growth of advertising revenue from podcasts, which, while still relatively modest, has grown 140% year on year.



Despite a challenging environment, we have continued to deliver innovative, impactful marketing campaigns for clients, bringing together capabilities from across the business. For example, we launched the Blue Peace Index programme with the Swiss Agency for Development and Cooperation (SDC), which creates a global benchmark for effective cross-border water governance in an increasingly water-scarce world. In addition to our public-policy team developing a first-of-its-kind framework to evaluate river-basin governance, we also brought together our thought-leadership team and our creative team to produce an in-depth report and visual assets targeting policymakers and business leaders. Our PR and social-marketing capabilities were used to promote the programme, garnering engagement from notable business and NGO leaders globally.

We continue to see strong interest for data visualisation as part of integrated marketing campaigns: for example, we leveraged the capabilities of Signal Noise (our data-visualisation business) and our content business to deliver a programme for a Dell campaign targeting IT decision-makers to improve their infrastructure and accelerate innovation. The campaign is in the running for two awards.

Going forward, we plan to more closely integrate the public-policy, healthcare-policy, thought-leadership, data-visualisation and amplification capabilities we have in the Group to better serve the needs of our customers through differentiated solutions unique to The Economist Group.

Events

This was a watershed year for our global events business. Whilst challenging, it culminated in a strategic review of the business model to help transform it into a high-revenue, more profitable business that can scale rapidly. It also provided

creative thinking to address the impact of the global covid-19 pandemic on the live-events industry.

There were notable successes in the year in scheduled events: the inaugural Climate Risk Summit was launched to coincide with London's first-ever Climate Action Week; Pride and Prejudice helped push the LGBT+ conversation forward in Asia as political shifts threaten progress; and it was a landmark year for the War on Cancer franchise, with stand-out performances in Europe and Latin America. The two most significant cancellations caused by the global covid-19 pandemic in the fourth quarter were the World Ocean Summit in Tokyo and the Sustainability Summit in London.

The custom-events business successfully increased opportunities for client-owned or industry events to reach large audiences, and to be more responsive to clients' need for increased involvement in events while maintaining high standards of quality of content and, of course, ensuring editorial distance.

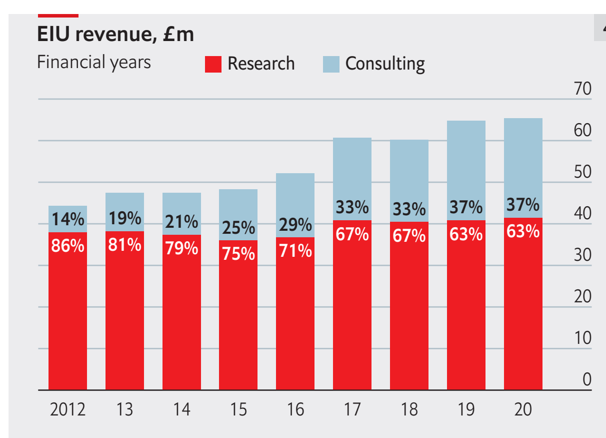
EuroFinance once again had a strong year despite challenges faced in the fourth quarter due to the covid-19 pandemic. The flagship international event, held in Copenhagen, was the most successful in its 28-year history. The diversification of the business led to the successful launch of new solutions offering bespoke content and amplification solutions. As part of the strategy, EuroFinance launched a news platform delivering proprietary content which has significantly enhanced the engagement with our corporate audience. EuroFinance's other scheduled events, including its Commercial Payments International summits, performed well and the team delivered a number of custom events, which continue to be a growth engine for the business.

Looking ahead, with the necessary shift to virtual events given the global pandemic, our events business will leverage its knowledge and insight from physical events to an online setting to support clients' brand and outreach objectives. By continuing to provide valuable connectivity to our sponsor and delegate communities during this challenging period, we will be well positioned to grow when the recovery comes.

The Economist Intelligence Unit

The Economist Intelligence Unit is one of the world's leading economic and political research organisations. Its large team of analysts assess the impact of events and generate economic and political forecasts for 204 countries across the world.

Over the past year the EIU has accelerated its investment in product development, sales capacity, customer experience and digital delivery. Our subscription business operates with high renewal rates but in a fast-changing market we need to adapt to client needs, fit in more tightly to their workflows and add new types of content to our services. We relaunched one of our flagship services on our new intelligence platform during the year and plan to shift other services onto this cutting-edge digital architecture during 2020. We have also invested behind our consulting businesses, collating new proprietary data sets in the healthcare medical devices (or medtech) industry and launching geospatial analytical capabilities in Asia. These investments, far above the normal level of spend within the EIU, are set to accelerate in the coming year.



Last year was mixed for the EIU. Revenue was up overall by 1%, with excellent growth in EIU Healthcare, our healthcare data and consulting business, and the Economist Corporate Network. But the business was held back by a challenging market environment in public-policy and consumer consulting.

The US-China trade war, Brexit and the coronavirus dominated our editorial teams' agenda during much of the year. Our Beijing-based China team was especially busy, analysing the impact of tariff escalation and working with their global colleagues on the diversification of clients' supply chains, before turning their attention to the government's response to the covid-19 outbreak. This, along with uncertainty over Brexit for much of the year, created great interest among clients and contributed to a subscriptions renewal rate of over 91%. But the economic slowdown in the developed world made new business more difficult, with Europe and the US still the biggest markets for EIU analysis.

Our Economist Corporate Network business, which supports C-Suite executives in Asia, the Middle East and Africa, had a good year, with revenues up 4%. The trade war and the resulting need for clients to adjust their strategies meant there was high demand for the advisory services that the network provides. As this networking business primarily operates face-to-face, the outbreak of covid-19 in China in December 2019 and the subsequent spread across all cities where the business operates could have been very damaging, but the team successfully transitioned to a virtual model and client engagement actually increased in the final months of the year.

Our public-policy business had a number of successes during the year. The consulting practice's biggest client renews its engagement on a two-year cycle and revenue was therefore temporarily depressed. Encouragingly, we saw exceptional growth in our new geospatial service in China, and a significant increase in development work with a variety of US government agencies.

EIU Healthcare had an exceptionally strong year, with revenues growing by 24%. The medtech division benefited from strong demand for our proprietary data on market size and share in the in vitro diagnostic device (IVD) sector, where we have recently invested both in digital delivery and data granularity as well acquiring a specialist data and consulting player in Germany, dii. Our health-policy and clinical-evidence business also did well, undertaking detailed and lucrative studies for both the pharmaceutical industry and not-for-profit organisations. Things were more challenging for our consumer-consulting business, where the economic slowdown in developed markets meant spending by some important clients was tightly controlled.

With the world reeling from the covid-19 pandemic there is a lot of uncertainty about trading over the coming year. But the EIU's subscription business has traditionally been robust to market disruption and the Economist Corporate Network similarly enjoys considerable client loyalty and good renewal rates. Overall, therefore, we believe the EIU looks better placed than many organisations to weather the storm. And the team, which operates out of 17 offices across the world, has already demonstrated a heartening ability to drive the business both operationally and strategically while working from home, even under these difficult circumstances.

The Economist Educational Foundation

Who we are: We are an independent charity that combines the journalistic expertise of *The Economist* newspaper with teaching know-how. Our mission is to change young people's lives by giving them the skills to think and speak for themselves about current affairs. We do this by enabling inspiring discussions about the news in classrooms and between schools in different communities, giving young people exciting experiences of engaging with the biggest issues of our time.

Why we exist: We're tackling an urgent problem.

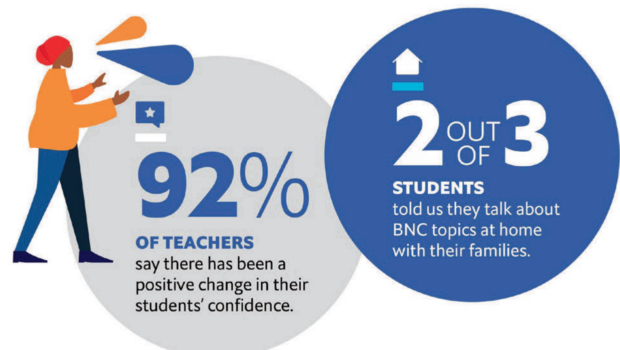
- **Young people are not developing news literacy: the knowledge and skills to understand and speak up about current affairs.** This is hugely important: news literacy supports academic success, employability, civic participation and social mobility. It's essential to making informed decisions and having a voice.
- **News literacy matters more than ever in the modern media age**. It includes having the critical-thinking skills to cut through clutter and misinformation, and being able to engage in open-minded discussions.
- **Schools feel ill-equipped to develop young people's news literacy.** In the UK, half of teachers feel the national curriculum does not equip children with the literacy skills they need to identify fake news. A third feel the critical literacy skills taught in schools are not transferable to the real world.
- **Even worse, those who most need news literacy are less likely to have it.** Disadvantaged young people have the most to gain from news literacy, given all the advantages it conveys and that they are under-represented in the roles that have the most influence over current affairs. Yet they are significantly less likely to build the knowledge and skills that are needed. In the UK they are 18 months behind their peers at school by the time they take their GCSEs and three times as likely to be permanently excluded from school. They have less access to a broad and balanced curriculum and fewer opportunities for out-of-classroom education.

How it works: We enable young people to develop news literacy by being part of **a unique kind of school news club,** exploring mind-stretching issues from Brexit to climate change, space travel and healthcare. We empower teachers to deliver exciting, interactive sessions in their classrooms. We train them to facilitate inspiring discussions about the news which develop students' thinking and speaking skills. We provide world-class teaching resources, created by *The Economist's* journalists working in close collaboration with specialist teachers. And we give young people a real audience: students use our innovative online platform to publish their work, receive feedback from global topic experts and discuss the issues with peers in different communities all over the world.

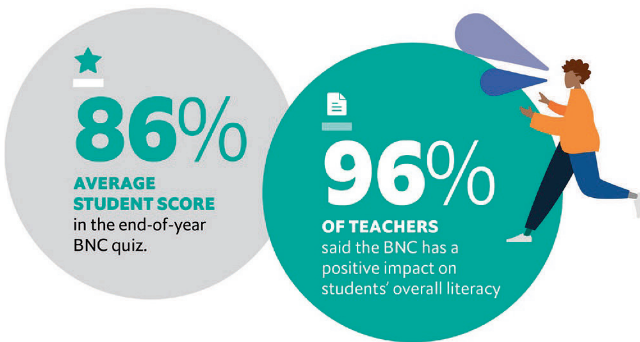
You can see young people's published work and discussions about the news on burnetnewsclub.com; and you can download free educational resources on all kinds of exciting topics here: economistfoundation.org/resources

Who we reach: We reach the young people who need us most. We work with 9-14-year-olds in non-selective state schools all over the UK, prioritising disadvantaged communities. **Over 60% of young people in our flagship programme, the Burnet News Club, are from low-income backgrounds, have special educational needs or are falling behind.**

Our impact: The Burnet News Club, which is named after a former editor of *The Economist* who was driven by making



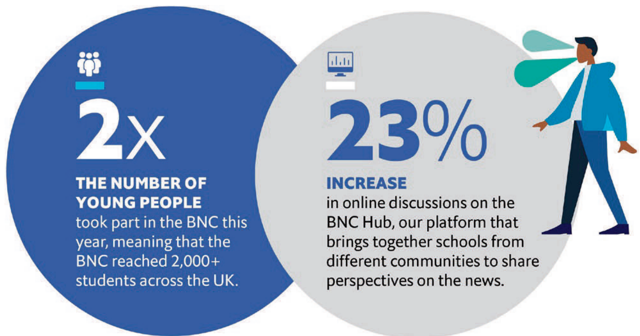
the news accessible to everyone, is proven to develop young people's news literacy skills. The young people we work with make **150% more progress** than their classmates **in reasoning, healthy scepticism, open-mindedness and speaking with confidence about real-world issues.** These are essential life skills which can change their chances. Over 95% of teachers say the club also **improves students' overall literacy.** Because of the significant impact it's making, the Burnet News Club was recently recognised by HundrED as one of the top 100 education innovations globally. You can read our latest impact report here: burnetnewsclub.com/about/impact



Our relationship with The Economist Group: We apply the company's values and expertise in classrooms, where they have the potential to make a real difference to young people's lives. *The Economist's* journalists collaborate intensively with teachers on the Foundation staff team to create news content which develops students' thinking and speaking skills as well as their knowledge. Other volunteers support the charity by lending accounting, marketing or legal expertise. The Economist Group makes a donation to the charity each year as well as providing essential services and facilities at no cost. The Foundation is governed by a highly experienced and engaged board including *The Economist's* executive and diplomatic editor (our Chair), its Schumpeter columnist and the company's director of group finance.

What the Foundation can offer to supporters: As a charity we rely on our supporters, who fund our work. The Burnet News Club would not exist without the generosity of the programme's founding supporter, The Eranda Rothschild Foundation. We can offer supporters the opportunity to make a significant, measurable impact, at a time when news literacy has never been so important. We are experienced at developing creative bespoke partnerships.

Our vision is for all young people to have opportunities to develop news literacy skills, and we have bold plans to scale up the Burnet News Club to help make that a reality. **If you would like to donate or work with us to increase our reach and impact, please contact Emily Evans, the Foundation's chief executive: emilyevans@economist.com**



The Economist Group and environmental sustainability

The Economist devotes considerable time, space and resources to its climate coverage. Stories appear almost every week on the issue; the newspaper has three correspondents whose beats are defined by this subject; and *The Economist* has called loudly and repeatedly for an urgent policy response to climate change. The September 21st 2019 issue of *The Economist*, titled *The Climate Issue*, had a particular focus on climate, the editorial team now also produces a bi-weekly newsletter called *The Climate Issue*, highlighting relevant coverage from the paper to 50,000 regular readers, and our podcasts regularly feature the subject. Other parts of The Economist Group also cover the subject, including films, events (most notably our annual World Ocean Summit and our new Climate Risk Summit) and EIU products such as the Climate Change Resilience Index.

The Economist has called for climate change to be tackled urgently and clear-headedly. At the same time, the leadership of The Economist Group agreed to rise to the challenge and develop an internal response as an organisation.

The first step in building a response is to understand the Group's impact, starting with carbon emissions. To coincide with *The Climate Issue*, The Economist Group completed its first full greenhouse gas emissions inventory for its 2018-19 financial year, showing that our business operations emitted 38,615 tonnes of Co2e annually. This inventory followed the international reporting standards of the Greenhouse Gas Protocol Initiative, and was conducted by an independent external party, RISE Bioeconomy. The 2019-20 inventory was completed in May this year.

The data below show that over half of our Group emissions are due to the supply-chain processes around the print edition of *The Economist*, with other significant areas including Economist Events, employee travel, *1843* and *The World In* series. The year-on-year reduction is partially due to the impact of covid-19 on events and the newspaper.

GHG emissions	2018/19 Tonnes CO2e	2019/20 Tonnes CO2e	Variance
Direct scope 1 emissions			
Fuels	74	80	8.1%
Indirect scope 2 emissions			
Purchased electricity	1,449	1,443	(0.4)%
Other indirect scope 3 emissions			
Paper, production and distribution of The Economist Group print publications	25,719	23,817	(7.4)%
Economist Events (attendee travel, accommodation, catering)	5,603	4,231	(24.5)%
Employee travel (excluding commutes)	5,293	5,158	(2.6)%
The Economist Group's digital products (Economist apps, audio, films)	477	466	(2.3)%
Total tonnes CO2e	38,615	35,195	(8.9)%
	2018/19	**2019/20**	
GHG intensity/tonnes CO2e per £m turnover	115.82	107.37	(7.3)%
GHG intensity/tonnes CO2e per £m profit	1241.64	1120.86	(9.7)%

Notes on data:
Scope 1 emissions are marginal, as The Economist Group does not directly operate vehicle fleets. Fuels listed are directly related to heating of office premises.
Scope 2 emissions comprise all electricity consumed at Group offices worldwide, and emissions associated with the production and distribution of grid energy.
Scope 3 encompasses all emissions generated by our suppliers worldwide related to delivering our business activity, and includes fuels and electricity required.
As this is the first time this report was conducted, data quality was inconsistent in some areas and includes estimates that we will seek to improve in subsequent reviews.

The second step in formulating The Economist Group's response, articulating our environmental targets and strategy, is now being addressed by a cross-functional global team of 40 colleagues who have volunteered their skills and insights on this topic.

In the meantime, notable steps have already been taken in 2019-20. *The Economist* switched from plastic to starch-based biodegradable wrappers on subscriber copies in the UK, saving 19.3 tonnes of single-use plastic for the remainder of the fiscal year. A new travel policy was introduced in early 2020 which put environmental awareness at the forefront, encouraging use of video technology over frequent international travel, train journeys over flights where practical, and lower cabin classes on flights. The covid-19 pandemic in early 2020 has almost eliminated travel in the final months of the financial year. *The Economist* has a sustainable alternative to offer in the digital edition, which generates ten times fewer emissions than the print edition. The Economist Group is fully committed to the reduction of its environmental footprint to help mitigate the challenges posed by climate change.

We are now:

1. Actively monitoring our carbon footprint with reduction in mind
2. Purchasing renewable energy for the production processes of The Economist newspaper
3. Implementing environmentally friendly practices across our global offices
4. Encouraging digital product usage
5. Ensuring all suppliers of paper and print services adhere to one or more of the following internationally recognised environmental standards: ISO 14001, FSC and PEFC

UK Streamlined Energy Carbon Reporting (SECR)

As of 2019-20, UK law requires The Economist Group to report certain greenhouse gas emissions from UK operations under the SECR (see table below).

Compliance information summary	2019/20
Purchased grid electricity MWh	2,127
Natural gas MWh	211
Transport fuels	Not applicable
Scope 1 emissions (from natural gas)	43.9 tonnes CO2e
Scope 2 emissions (from purchased electricity)	529.0 tonnes CO2e

Intensity ratios	2019/20
Tonnes CO2e per £million turnover	
Scope 1	0.20
Scope 2	2.40
Tonnes CO2e per £million profit	
Scope 1	2.69
Scope 2	30.55

Corporate governance: the Wates Principles, our Section 172(1) statement and our guiding principles

The Group aims to maintain high levels of corporate governance that are appropriate for its size and profile. We have for many years published a set of guiding principles and explained the extent of our compliance with relevant codes of practice. This year a new reporting requirement was introduced under the Companies Act 2006, the Section 172(1) statement.

This section describes the code of governance that we now follow (the Wates Principles) and sets out our Section 172(1) statement. The two overlap somewhat so, having laid them out first, we go on to illustrate their application by describing our own guiding principles and providing some examples of actions taken during the year (and beyond). It is not exhaustive, and should be read together with the rest of the Strategic Report on pages 2-20 and the section on Governance on pages 21-34.

The Wates Principles

As a private company we are not bound by any corporate governance code, although we have always sought to run our corporate affairs as closely as possible to best practice. Board policy is to seek to comply with the recently introduced UK code for large private companies, the Wates Corporate Governance Principles (the Wates Principles), and to report to shareholders on that basis. Overall, the Board is satisfied that the Group is aligned with the Wates Principles. These are as follows:

One: An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

This is discussed further in our guiding principles below.

Two: Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

We recently appointed a new chairman, and during the year we appointed a new CEO, Lara Boro, as well as two non-executive directors, Mustafa Suleyman and Diego Piacentini. Further details on the appointment of directors are set out on pages 25-26.

Three: The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.

We have an established induction process for new directors, a Board-approved delineation of the roles of the chairman and the CEO, terms of reference for the Board's audit, remuneration and nominations committees, and a schedule of matters specifically reserved for the Board. Further details are provided on pages 25-30.

Four: A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

During the year the Board took a number of difficult decisions with these considerations in mind. These included the closure of the Group's UK defined-benefit pension plan and a series of responses to the challenges posed by the impact of the covid-19 pandemic. These are both described in some detail below and in the accompanying letter to shareholders from the chairman.

Five: A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

Please refer to the directors' report on remuneration on pages 28-30.

Six: Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

Much of this is discussed below.

Section 172(1) statement

The directors are aware of their duty under s172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing

so, to have regard (among other matters) to:

a. the likely consequences of any decision in the long term;
b. the interests of the company's employees;
c. the need to foster the company's business relationships with suppliers, customers and others;
d. the impact of the company's operations on the community and the environment;
e. the desirability of the company maintaining a reputation for high standards of business conduct; and
f. the need to act fairly as between members of the company.

The Board considers the s172 factors as a matter of course in its decision-making; it is reminded annually of directors' duties under the Companies Act 2006, including s172, and new directors are provided with materials on this upon joining the Board. In addition, the audit committee of the Board annually reviews how the Group has applied corporate governance best practice under the Wates Principles and beyond. The work of the audit committee is described on page 26.

Given the overlap between the Wates Principles and the s172 factors, shareholders are directed to the comments included alongside the Wates Principles in the previous section. In addition, in relation to item d. above, please refer to the report on The Economist Educational Foundation on pages 13-14, the report on environmental sustainability on pages 15-16, as well as the section providing corporate information on page 25.

The Economist Group's guiding principles

The Economist has been published since 1843 to take part "in a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

The Group operates in a clear and ethical context, and the Board reviews and approves a set of guiding principles every year, which are as follows:

- We aim to offer insight, analysis and services that are valued by our customers.
- Underpinning our ability to fulfil this objective is our commitment to independence, integrity and delivering high quality in everything we do. These values govern our relationships with readers, customers and clients, shareholders, colleagues, suppliers and the community at large.
- We believe in conducting business with common decency. We are opposed to bribery and do not engage in corrupt practices. We abide by strict guidelines governing the acceptance of gifts and the disclosure of potential conflicts of interest.
- We are opposed to modern slavery and human trafficking, both in our business and in our supply chain. See our Modern Slavery Act statement on our website, www.economistgroup.com, for more information.
- As an international company, we conduct business in many different markets around the world. In the countries in which we operate, we abide by local laws and regulations.
- We make an active contribution to local charities by charitable giving. We encourage our people to participate in charitable and community activities and we permit them to take time off for this purpose. We match employee donations of time and money to charities. Please take a moment to read our report on The Economist Educational Foundation on pages 13-14.
- We respect environmental standards and comply with relevant local laws. We take environmental issues seriously. More on this can be found in our report on environmental sustainability on pages 15-16. (*The Economist* and its sister publications, *1843* and *The World In* series, account for the majority of our annual spend on paper and printing. All suppliers of paper and print services used in producing these publications adhere to one or more of the following internationally recognised environmental standards: ISO 14001, FSC and PEFC.)
- We value our colleagues and treat each other fairly. The Group is committed to equality of opportunity in all employment practices and policies. We do not discriminate against employees or job applicants on the grounds of age, sex, sexual orientation, marital status, race, colour, religion, national origin or disability. We support colleagues who through disability or illness are unable to perform their duties, by adapting the work environment and hours of work to suit them as far as practicable. We provide employee assistance programmes and access to mental-health facilities.
- The Group is committed to increasing employee diversity. We particularly focus on ensuring that we recruit from the widest possible pool of talent. We are also keen that people feel comfortable and valued at work, regardless of their background. We recognise that it is essential to keep colleagues informed of the progress of the Group. We provide colleagues with information on the Group's activities and its financial performance through regular meetings and communication through our intranet. We have a strong consultative culture and we follow legal and regulatory requirements to consult with colleagues on major issues affecting the company.
- The Group is committed to achieving gender parity. Our gender-pay-gap report (published on March 26th 2020) shows that we employ similar numbers of men and women; however, we still need to increase the number of women at senior management levels through career progression and recruitment.

Some activities this year

The Board takes engagement with its key stakeholders seriously. For example, members of the executive team and other colleagues are regularly invited to present and discuss

business matters with the Board, as well as meeting in less formal settings; in addition to those represented on the Board, the chairman, other directors and members of the executive team regularly meet with individual shareholders; there is good representation of "A" special, "B" special and ordinary shareholders on the Board; our AGM is an important opportunity for engaging with shareholders, and all but one member of the Board attended the 2019 AGM to discuss the business and resolutions and to answer questions from shareholders; and the chief executive presents regular business updates to staff, which include question-and-answer sessions. The executive team similarly hold regular sessions with their teams to discuss priorities and performance. Regrettably, this year's AGM will be held by video conference, given restrictions on large gatherings due to the covid-19 pandemic and the Board's determination not to jeopardise the health and safety of colleagues and shareholders. There will, however, be an opportunity to ask questions, as further explained in the covering letter sent with the annual report.

During the year we invited all Group colleagues to take part in an online survey using a specialist third-party provider of employee engagement systems and analysis. Colleagues responded well, with 1,078 completing the survey out of the 1,295 surveyed (83%). Business unit and departmental results were distributed directly to managers to discuss with their teams. The results were shared in one of the chief executive's regular communication sessions in January 2020. The overall score which indicates the strength of colleague engagement was 7.1 out of 10, which compares with an industry benchmark of 7.6. The scores at Group level were highest for setting clear goals (colleagues understand what is expected of them), autonomy (able to get work done without close management and to work flexibly and remotely as needed), peer relationships (good working relationships with colleagues). The three main areas for improvement were: communicating strategy and direction, reward, and clear paths to advance careers in the company. We intend to repeat the survey each year, and these first results give a baseline for improvement.

The covid-19 pandemic has led to all colleagues around the world working from home for some time, which continues for the majority at the time of writing. We are acutely aware not only of the challenges faced by the business as a result of the pandemic, but also of the need to look after our colleagues. To this end there is a weekly meeting hosted on Zoom to which all colleagues around the world are invited, led by the chief executive or members of the leadership team on a topical business subject with a question-and-answer session. All managers stay in touch with their teams on a regular basis using video. The mental-health charity MIND has held a series of live sessions on mental well-being which were also recorded so colleagues could access them at any time. Tips on physical and mental well-being, working from home and working flexibly with family at home are distributed regularly by email and added to the corporate intranet site. A full schedule of training programmes has been converted to interactive, live sessions using Zoom.

The chairman and CEO wrote to all shareholders in May to give them an update on how the Group and its employees were faring given the covid-19 pandemic. They described in their letter the challenges faced by the Group, and the steps taken to balance the needs of the business for both the short and the long term and the interests of its stakeholders. Actions taken as at the date of writing have included:

- **Supporting the core business.** We have focused investment where it was most needed, including the newspaper subscription business, a new customer experience platform and product development, as discussed earlier in the Strategic Report.
- **Reducing costs, particularly in the areas that were most severely affected.** This has included furloughing colleagues, closing our agency business, TVC and, sadly, making a substantial number of redundancies; leaving the great majority of existing vacancies unfilled; and delaying a move to new premises in New York, given the cost of moving and an anticipated downturn in the real-estate market. In addition, our non-executive directors decided to waive their fees for at least six months and, for the same period, the CEO took a 20% salary reduction and the rest of the leadership team took 10% cuts.
- **Shoring up liquidity.** We have secured public loans where available and appropriate, including in Hong Kong and Singapore. Following constructive consultations, our lenders agreed to relax our banking covenants. And the Board made the difficult decision not to pay a final dividend to shareholders in respect of 2020.
- **Supporting clients.** Needless to say, our clients are very important to us. One example of action taken to support them was to offer complimentary advertising to key clients.

The Board took the difficult decision to close the company's UK defined-benefit pension plan (the DB Plan) to future accruals on March 31st 2020. The plan had already been closed to new members since December 31st 2002, with UK employees joining the Group after that date being offered participation in a defined-contribution plan instead. Only a small minority of UK employees – about 90 – remained as active members in the DB Plan. The cost of reducing the deficit in the DB Plan, and the volatility of that deficit, had been identified as significant risks to the business for many years. In accordance with its legal

obligations and good practice, the Board consulted with active members in the DB Plan, as well as the plan's trustees, to arrive at a fair resolution, bearing in mind the need to balance the value of this benefit to the colleagues concerned, the burden it placed on the company, and the desire to provide comparable benefits to colleagues across the region. Following constructive discussions with the stakeholders concerned over the course of six months, both individually and through their spokesperson, a settlement was reached that will reduce the risk to the company while compensating active members for the loss of this benefit and, over a period of five years, bringing their pension benefits in line with other colleagues in the UK.

We expect 2021 to be filled with many of the challenges that we face today–and perhaps new ones–but also opportunities. As we navigate the next 12 months, we will strive to continue to adhere to the letter and the spirit of our guiding principles, the Wates Principles and s172 of the Companies Act 2006.

By order of the Board

OSCAR GRUT
Secretary
June 16th 2020

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Directors

Lara Boro
Appointed group chief executive in September 2019. Ms Boro joined The Economist Group from Informa, where she served as chief executive of Informa Intelligence. She is a non-executive director at RWS Holdings, a leader in specialist translation. She has a wealth of experience in business-to-consumer and business-to-business information markets, and has previously held senior positions at Ascential (formerly EMAP), CPA Global and the Financial Times.

Lord Deighton
Lord Deighton has been a non-executive director of The Economist Group since February 2018 and was appointed non-executive chairman in July 2018. He is also chairman of Heathrow Airport and Hakluyt and Co and serves on the board of Square, Inc. Formerly he was a partner at Goldman Sachs, CEO of the London Organising Committee of the 2012 Olympic and Paralympic Games (LOCOG), and commercial secretary to HM Treasury.

John Elkann
Appointed as a non-executive director in July 2009. John Elkann is chairman and CEO of EXOR, chairman of Fiat Chrysler Automobiles, chairman of Giovanni Agnelli, executive chairman of Ferrari, chairman of the Giovanni Agnelli Foundation and chairman of GEDI Gruppo Editoriale. He is also a board member of PartnerRe and a trustee of MoMA.

Eli Goldstein
Appointed as a non-executive director in October 2017. Founder and managing partner of The Radcliff Companies. Director of Chrome Hearts Holdings, Jet Linx Global and CrossCountry Mortgage.

Lady Heywood
Appointed as a non-executive director in November 2015. Managing director of EXOR Group, acting chair, Royal Opera House, trustee of the Royal Academy of Arts Trust and chair and acting CEO of CNH Industrial.

Diego Piacentini
Appointed as a non-executive director in November 2019. Former senior vice-president of the International Consumer Business of Amazon. Board member of Bocconi University, OODA Health and the Maasai Association. Executive committee member and mentor of Endeavor Global, board member and co-founder of Endeavor Italy. Member of the board of Apolitical and senior advisor to KKR and advisor to Convoy.

Philip Mallinckrodt
Appointed as a non-executive director in July 2017. A member of the International Advisory Council of the Brookings Institution. Formerly a non-executive director of Schroders.

Zanny Minton Beddoes
Appointed as editor-in-chief, *The Economist* and a director in February 2015, having previously been the business-affairs editor. She joined the company in 1994 after spending two years as an economist at the IMF.

Mustafa Suleyman
Appointed as a non-executive director in June 2019. Co-founder of DeepMind, one of the world's foremost technology companies, which was acquired by Google in 2014.

Executive team

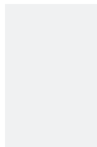
Lara Boro
Zanny Minton Beddoes

Deep Bagchee
Chief product officer. Joined the Group in 2020. Previously senior vice-president of product and technology at CNBC, and before that, vice-president of product at CNBC Digital. He was also managing digital editor and head of digital for CNBC International.

Robin Bew
Managing director, The Economist Intelligence Unit. Joined in 1995 as an editor before becoming chief economist in 1997, editorial director in 2006 and managing director in 2013. Previously an economist at HM Treasury, the UK's finance ministry.

Gareth Bridge
Programme director. Joined the Group in October 2019 in an interim role to establish a new project management office. Has previously worked on large-scale business and technology change programmes across a range of industries, notably working at RBS, TUI, Reed Elsevier, UBM and Informa.

Bob Cohn
President/managing director, *The Economist*. Joined in January 2020. Previously president of the *Atlantic* and, before that, editor of TheAtlantic.com. He was also executive editor of *Wired* and the *Industry Standard*, a Washington correspondent for *Newsweek*, and the editor and publisher of *Stanford Magazine*.



Oscar Grut
Chief legal and corporate development officer. Previously founded *The Economist*'s digital editions business, launching its first apps, and served as managing director for its digital operations. Also responsible for ESG. Joined the Group in 1998 from Linklaters.

Catherine Hearn
Group HR director. Joined the Group in June 2016, having worked previously at Dentsu Aegis Network, Diageo, Polestar and ICL, where she held a number of executive positions in human resources both in the UK and internationally.

Ian Hemming
Managing director of events. Joined the Group in July 2019 as a consultant. Has 28 years' experience in the commercial events and B2B media industry, serving as CEO of the TMT division of Informa for 16 years and latterly as a media adviser to private-equity groups and events companies. Also non-executive director of OCS Group.

Shane Naughton
Group chief financial officer. Joined the Group in 2014. A non-executive director of RTÉ, the Irish public-service broadcaster, until February 2020. Former global chief financial officer at EMI Music, having previously worked for UBM, Sky, Dell and Coca-Cola.

Andrew Palmer
Executive editor. Joined *The Economist* in February 2007 and has held several roles, including business-affairs editor, head of the data team, Americas editor, finance editor and banking correspondent. Previously he worked in a variety of editorial roles at the Economist Intelligence Unit.

Richard Peers
Chief information officer. Joined the Group in November 2019 from Legal & General, where he served as Group IT strategy director. Has held a number of leadership roles including chief technology officer at Informa.

Tim Pinnegar
Publisher and managing director, Asia Pacific. Joined the Group in 2001, having worked for Leo Burnett in both the UK and Asia.

Executive team (continued)

Chris Stibbs
Resigned from the Group on August 30th 2019. Formerly chief executive officer.

Michael Brunt
Resigned from the Group on December 13th 2019. Formerly chief operating officer.

Andrew Williams
Resigned from the Group on December 13th 2019. Formerly chief digital officer.

Stephane Pere
Resigned from the Group on September 13th 2019. Formerly executive vice-president, business development.

Trustees

Baroness Bottomley of Nettlestone PC, DL
Trustee since October 2005. Heads the board practice of Odgers Berndtson. Member of the House of Commons (1984-2005) and House of Lords from 2005. Member of the cabinet (1992-97), serving as secretary of state for health and then for national heritage. Chancellor of the University of Hull, board member, 2006 to present, International Chamber of Commerce (UK), and of the International Advisory Panel of Chugai Pharmaceutical. Non-executive director of Smith & Nephew.

Tim Clark
Trustee since December 2009. A former senior partner of Slaughter and May and a founder of BCKR, a company which assists lawyers in the development of their careers through taking on board and other roles. Also chair of the boards of trustees of WaterAid and HighTide Theatre and a senior adviser to G3 and Hudson Sandler. A member of the Council of RADA, the board of senior advisers of Chatham House and a member of the advisory board of the Centre for European Reform. Formerly chair of the Royal Air Squadron and a member of the board of the National Theatre and Big Yellow Group. He was also senior independent director of Big Yellow Group, a member of the development committee of the National Gallery, the audit committee of Wellcome Trust, the international advisory board of Uria Menendez and the International Chamber of Commerce UK Governing Body.

Lord O'Donnell CB, KCB, GCB, FBA
Trustee since October 2012. Press secretary to Prime Minister John Major (1990-94). UK executive director on the boards of the IMF and the World Bank (1997-98). At HM Treasury, appointed managing director of macroeconomic policy and international finance in 1999, serving as permanent secretary from 2002 to 2005. Appointed to the House of Lords in 2012, having served as cabinet secretary and head of the civil service from 2005 to 2011. Made a fellow of the British Academy in 2014. Chair of Frontier Economics, a strategic adviser to TD Bank Group, a non-executive director at Brookfield Asset Management, and a visiting professor at the London School of Economics and University College London. President of the Institute of Fiscal Studies and chair of trustees of Pro Bono Economics.

Dame Alison Carnwath
Trustee since January 2019. A senior adviser at Evercore. Chair of the audit committee of BASF, member of the audit and chairman's committees of BP, chair of the audit committee of Zurich Insurance Group, an independent director of both PACCAR and CICAP (Coller Capital), and chair of the Livingbridge strategic advisory board. In the not-for-profit sector, she is a member of the advisory council of the St George's Society of New York. She engages in a number of mentoring assignments both in the UK and overseas. Has been involved with Livingbridge Private Equity (formerly Isis Private Equity) for 17 years, where she was previously chair of the investment committee and of the management board. Formerly a senior adviser at Lexicon, a managing director of Donaldson Lufkin and Jenrette, a partner in the Phoenix Partnership (a corporate advisory and private-equity business), and a director of J. Henry Schroder Wagg & Co (an investment-banking subsidiary of Schroders). Past directorships include being non-executive chair of Land Securities and a director of Man Group, Gallaher, Friends Provident, Barclays, and National Power, and chair of Vitec Group.

Board committees

Remuneration committee
Lord Deighton, chairman
Lady Heywood
Philip Mallinckrodt

Audit committee
Philip Mallinckrodt, chairman
Eli Goldstein
Lady Heywood

Nomination committee
Lord Deighton, chairman
Eli Goldstein
Lady Heywood

Directors' report

The directors present their report to shareholders, together with the audited consolidated financial statements, for the year ended March 31st 2020.

Developments and principal activities

The principal activities of the Group consist of publishing, the supply of business information and consulting services, conferences, marketing services and data design. Further information about the activities, developments and likely future developments of the Group is provided on pages 4-20.

Results and dividends

The profit after tax for the financial year to March 31st 2020 was £21.2m (2019: £24.8m). No final dividend (2019: 75.0p) is proposed for the year to March 31st 2020. Together with the interim dividend already paid, this makes a total proposed dividend for the year of 40.0p (2019: 120.0p).

Transactions with related parties

Details of transactions with related parties, which are to be reported under IAS 24, are set out in note 34 to the financial statements on page 91.

Directors

Profiles of the directors appear on page 22. All executive directors have contracts of employment.

Directors' indemnities

The company provides, to the extent permitted by law, an indemnity to all directors and officers of the company and its subsidiaries in respect of claims against them arising in respect of the conduct of the business of the Group. The company has also purchased directors' and officers' insurance cover against certain legal liabilities and costs for claims in connection with any act or omission by such directors and officers in the execution of their duties.

Corporate information

The share capital of the company is divided into ordinary shares, "A" special shares, "B" special shares and trust shares. There are 104 "A" special shareholders, and the "B" special shares are all held by EXOR.

The trust shares are held by trustees (who are described on page 24), whose consent is needed for certain corporate activities. The rights attaching to the trust shares provide for the continued independence of the ownership of the company and the editorial independence of *The Economist*. Apart from these rights, they do not include the right to vote, receive dividends or have any other economic interest in the company. The appointments of the editor of *The Economist* and of the chairman of the company are subject to the approval of the trustees, as are transfers of "A" special and "B" special shares.

The ordinary shareholders are not entitled to participate in the appointment of directors, but in most other respects rank *pari passu* with the other shareholders. The transfer of ordinary shares must be approved by the board of directors.

No one shareholder or group of shareholders acting in concert is entitled:

- in relation to any resolution, whether proposed at a general meeting of the company and voted on by way of a poll or put to shareholders as a written resolution, to exercise votes representing more than 20% of the total voting rights exercisable by shareholders (other than the trustees); or

- to hold shares carrying more than 50% in value of the dividend rights of the company.

Shares held in treasury

5,040,000 ordinary shares were repurchased during the year ended March 31st 2016 and are held in treasury. The voting and dividend rights associated with those shares are suspended.

Corporate governance

Please refer to the report on corporate governance on pages 17-20.

Board

The general management of the business of the company is under the control of the board of directors. There are 13 seats allowable on the Board, seven of which may be appointed by holders of the "A" special shares and six by the holders of the "B" special shares.

The Board currently comprises seven non-executive directors and two executive directors. Lord Deighton, Eli Goldstein, Philip Mallinckrodt, Zanny Minton Beddoes and Mustafa Suleyman were appointed by the "A" special shareholders. The "B" special shareholders appointed Lara Boro, John Elkann, Lady Heywood and Diego Piacentini.

The non-executive directors have a breadth of successful commercial and professional experience and they exercise independent judgment. John Elkann is the chairman and CEO of EXOR; Lady Heywood is managing director of EXOR Group. Details of directors' interests and, in relation to the executive directors only, their interests in the employee share ownership trust, are given in the directors' report on remuneration on page 28.

The Board is chaired by Lord Deighton and has met for regular business five times in the 12 months to March 31st 2020. The Board also convenes at other times on an ad hoc basis or in committee

when events warrant. It is responsible for the overall direction and strategy of the Group and for securing the optimum performance from the Group's assets.

It also exercises control by determining matters specifically reserved for it in a formal schedule which only the Board may change: these matters include significant acquisitions and major capital expenditure. The Board carries out regular reviews of matters undertaken by management under delegated authority. The company's articles of association require the approval of the trustees for some actions.

Board committees

The audit committee is made up of three non-executive directors. It is chaired by Philip Mallinckrodt. The other members are Lady Heywood and Eli Goldstein. The committee assists the Board to ensure that the published financial statements give a true and fair view of the business and also to ensure that reliable internal financial information is produced. The committee is also responsible for reviewing risk, the suitability and effectiveness of the Group's internal financial controls, the work and findings of both internal and external auditors, key accounting policies and judgments, and corporate governance.

The remuneration committee is made up of three non-executive directors. It is chaired by Lord Deighton, and the other members are Lady Heywood and Philip Mallinckrodt.

The nomination committee's terms of reference provide for the committee to be chaired by the chairman of the Board, and in addition to comprise a director representing the holder of the "B" special shares (currently Lady Heywood), and a director nominated by any shareholder group that owns more than 15% of both the "A" special shares and the ordinary shares (currently Eli Goldstein). These terms of reference also provide that any shareholder group that owns more than 15% of both the "A" special shares and the ordinary shares may propose the nominees for up to two non-executive directors (whose election remains subject to the approval of the holders of a majority of the "A" special shares). There is currently one such nominee on the Board, Eli Goldstein. The committee meets as and when required, but in any event at least annually.

Other committees are set up on an ad hoc basis as appropriate.

Internal control

The Board is responsible for the company's systems of internal control and considers that the company has put in place processes which follow closely the main recommendations of the Financial Reporting Council (FRC) Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, which focus on managing the Group's key business risks.

The Group's annual review of risk highlighted the following principal areas: changes to its markets (including the commoditisation of, and pricing pressures on, information products); the quality of the Group's digital products keeping up with customers' expectations; its systems and infrastructure; the volatility of the surplus/deficit on the UK defined-benefit pension scheme; the safety of colleagues; business continuity (including the breakdown of operational systems from external attack, the failure of key suppliers or a global disaster); the impact of covid-19 on the wider economy, our business and our colleagues; the challenges in retaining subscribers; employing and retaining talent; regulatory risk, such as changes to privacy laws; the challenge of doing business in China; the complexity of managing the Group's significant investment in FiscalNote; and the financial operations of the company, specifically liquidity and tax.

The Group has carried out a thorough risk assessment and confirmed that it has adequate anti-bribery procedures in place covering staff, suppliers and agents.

The internal financial control system has been designed and developed over a number of years to provide the Board with reasonable assurance that it can rely upon the accuracy and reliability of the financial records, and its effectiveness has been reviewed by the Board. The control system includes the following important features:

- The Board reviews the Group's strategy and long-term plan annually. The strategies of specific businesses are reviewed from time to time. Long-term goals are approved by the Board.

- A budgeting system which includes an annual budget and forward projections is approved by the Board. Monthly results are reported against the annual budget and monthly forecasts. The charts on page 3 include some of the key performance indicators which are used to measure business performance. The company reports to shareholders at least twice a year.

- Financial policies and procedures exist and senior managers and finance staff are responsible for ensuring that all relevant staff are familiar with their application.

- Written treasury procedures cover banking arrangements, hedging instruments, investments of cash balances and borrowing procedures. These procedures include staff responsibilities, segregation of duties and levels of delegated authority for treasury matters.

- The company has an audit and

risk-management function which has a dual role: it advises on and reviews the regular updating of business and bribery risk registers at both Group and business levels, and carries out an independent risk-based programme of internal audit work in all parts of the Group. The register of key business risks and mitigation actions is reviewed by the Board.

- The company has a cyber-security function which minimises the Group's risk of cyber-attack. Controls to prevent and detect attacks are supplemented with assurance, mitigation and education activities. We achieve cyber-resilience by ensuring we have appropriate, tested plans and recovery resources in place coupled with effective, well-rehearsed crisis management. The company has clearly defined guidelines for the review and approval of capital and development expenditure projects, which include annual budgets, project appraisals and designated levels of authority.

Annual general meeting

The notice convening the annual general meeting, to be held by video conference at 12.15pm on Tuesday July 14th 2020, can be found on page 108.

Independent auditor

A resolution to reappoint Deloitte LLP as auditor to the company, and a further resolution to authorise the directors to fix their remuneration, will be proposed at the annual general meeting.

Auditor independence

In line with best practice, the audit committee operates a policy that defines those non-audit services that the independent auditor may or may not provide to the Group. The policy requires the provision of these services to be approved in advance by the audit committee or, up to pre-approved limits, the CFO. A statement of the fees for audit and non-audit services is provided in note 4 on page 57.

Disclosure of information to the auditor

As far as each of the directors is aware, there is no relevant information that has not been disclosed to the company's auditor, and each of the directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the company's auditor has been made aware of that information.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and parent-company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- state whether applicable IFRS as adopted by the European Union have been followed for the Group financial statements, and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;

- make judgments and accounting estimates that are reasonable and prudent; and

- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and parent 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board
Oscar Grut
Secretary
June 16th 2020

Directors’ report on remuneration

The committee

The remuneration committee of the Board is made up of three non-executive directors: Lord Deighton (chairman), Lady Heywood and Philip Mallinckrodt. The quorum necessary for the transaction of business is two members. The committee is responsible for the remuneration policy for senior executives of the Group and the policy and structure of Group bonus schemes. In determining remuneration, the committee follows a policy designed to attract, retain and motivate high-calibre executives, aligned with the interests of shareholders.

Table 1

Directors' interests as at March 31st 2020

	31 March 2020			31 March 2019		
Beneficial holdings	Ordinary	"A" Special	"B" Special	Ordinary	"A" Special	"B" Special
Lord Deighton	-	3,300	-	-	3,300	-
Lara Boro	-	-	-	-	-	-
Zanny Minton Beddoes	13,040	-	-	6,415	-	-
John Elkann	7,490,000	-	1,260,000	7,490,000	-	1,260,000
Eli Goldstein	-	-	-	-	-	-
Lady Heywood	-	-	-	-	-	-
Alex Karp (retired November 2019)	-	-	-	-	-	-
Philip Mallinckrodt	5,600	1,781	-	5,600	1,781	-
Diego Piacentini (appointed November 2019)	-	-	-	-	-	-
Chris Stibbs (retired August 2019)	-	3,355	-	7,950	3,355	-
Mustafa Suleyman (appointed June 2019)	-	-	-	-	-	-
Holdings as a trustee						
Zanny Minton Beddoes[1]	97,500	-	-	97,500	-	-

The beneficial interests above include directors’ personal holdings, holdings of their spouses and children, and holdings through companies and trusts in which they have an interest.

[1] Held as a joint trustee of the Marjorie Deane Financial Journalism Foundation.

Lara Boro has the right to acquire 39,321 ordinary shares (2019: nil) and Zanny Minton Beddoes has the right to acquire 30,000 ordinary shares (2019: 32,500) under the restricted share scheme described on the next page. Zanny Minton Beddoes exercised 12,500 options in the year.

The executive directors of the company, together with all employees of the Group, are beneficiaries of the company's employee share ownership trust. As such, Lara Boro and Zanny Minton Beddoes are treated as interested in the 292,070 ordinary shares (2019: 277,398) held by the trustee of that trust.

The Group operated a number of annual bonus and long-term bonus plans during the year, providing performance-based bonuses for executive directors and employees.

(a) Annual bonus plans

Executive directors and employees participated in annual bonus plans in which rewards were linked to Group performance and to the performance of key areas of the business which they could influence.

(b) Executive long-term plans

Executives participate in a three-year cash-bonus scheme. The bonus pool is a percentage of Group cumulative operating profit after three years. The amount paid to each participant is determined by the growth rate in the Group's earnings per share and by the number of units awarded to the participant at the start of the three-year period. There is a minimum hurdle to achieve in earnings-per-share growth before any payments are made.

(c) The Economist editorial long-term plan

Some senior journalists who do not participate in the executive long-term plan participate in this three-year cash-bonus scheme designed to help retain key editorial staff. The size of the bonus pool is a percentage of Group cumulative operating profit at the end of three years. The amount paid to each participant is determined by the number of units awarded to the participant at the start of the three-year period. Payout is also contingent on the Group achieving an earnings hurdle.

(d) Restricted share scheme

The Group also has in place a restricted share scheme under which a small number of key employees have been awarded a right to acquire ordinary shares at a nominal price, usually between one and four years after the date of the award. The Group has the discretion to pay out shares or cash on exercise.

Directors' remuneration

Directors' remuneration and benefits are shown in Table 2. Non-executive directors do not participate in any bonus scheme, any long-term incentive scheme or any of the company's pension plans. This table shows salaries/fees, annual bonuses and benefits earned in and charged to the income statement in the year unless otherwise noted. The table includes future and uncashed entitlements under annual incentive schemes.

Table 2

Remuneration for the year ended March 31st 2020

	Salary/fees 2020 £000	Annual bonus 2020 £000	Long-term plan 2020 £000	Benefits 2020 £000	Total 2020 £000	Total 2019 £000
Lord Deighton	150	-	-	-	150	118
Lara Boro	330	-	-	10	340	-
John Elkann[1]	-	-	-	-	-	-
Eli Goldstein	39	-	-	-	39	39
Lady Heywood[2]	39	-	-	-	39	39
Alex Karp[1]	-	-	-	-	-	-
Philip Mallinckrodt	46	-	-	-	46	46
Zanny Minton Beddoes	465	-	-	18	483	455
Mustafa Suleyman	31	-	-	-	31	-
Diego Piacentini	14	-	-	-	14	-
Chris Stibbs	271	-	141	8	420	852
Rupert Pennant-Rea	-	-	-	-	-	39
Baroness Jowell	-	-	-	-	-	5
Sir David Bell	-	-	-	-	-	20
Brent Hoberman	-	-	-	-	-	30
Total	1,385	-	141	36	1,562	1,643

[1] Fees waived

[2] Paid to EXOR N.V.

Mr Stibbs left the company in August 2019 and was paid £1.1m as compensation for loss of office.

Directors' accrued pensions

The pensions which would be paid annually on retirement at age 65 based on service with the company to March 31st 2020 are shown in Table 3. The table does not include any additional voluntary contributions or any resulting benefits.

Table 3

	Age at March 31st 2020	Accrued pension at March 31st 2020	Accrued pension at March 31st 2019	Change
Zanny Minton Beddoes	52	£130,027	£127,866	£2,161

Financial review

Last year the Group achieved revenue of £326m, 2% less than in 2019. Within this total revenue number, there has been strong growth in *The Economist* circulation revenues, where despite a decline in subscriber number we have seen a 6% increase in revenues as a result of a significant price increase that was rolled out globally during the year. The EIU's Country Analysis subscription business has remained robust, supported by strong customer renewals, and its Healthcare consulting arm has delivered 24% growth. Revenues have been affected by a challenging US market for advertising and content solutions sales as well as the timing of client projects in the EIU's Public Policy division. This, together with the impact of the covid-19 pandemic, as well as political instability in Hong Kong which led to cancellation of events and advertising bookings towards the end of the financial year, has caused reported revenues to fall by 2%. Operating profits increased slightly due to lower net exceptional charges, though underpinned by cost-reduction measures, particularly marketing spend, as planned revenue growth fell short of expectations.

Operating result

Operating profit for the Group increased by 1% over last year to £31.4m on revenues of £326.1m. Net exceptional costs are £2.2m lower than last year and after removing these items, operating profit of £34.3m is down £1.8m or 5% on the prior year.

Group revenues finished 2% down overall for the year as the impact of the global lockdown caused by the covid-19 pandemic led to event and advertising cancellations in March. Circulation revenues from *The Economist* improved by £9m or 6%, driven largely by higher revenue per copy, which increased by 14%, though the significant triennial price increase at the start of the year also contributed to 6% lower average paid-subscriber numbers throughout the year. The EIU research division grew by 1%, with the core Country Analysis subscription business 1% ahead and the EIU Corporate Network business delivering 4% revenue growth. EIU consulting revenues are 1% higher than last year overall as the Healthcare business returned to strong growth, offsetting lower revenues from Public Policy, where key client projects are cyclical, and Canback, which faced a challenging market. The Client Solutions business had a difficult year, with advertising, content solutions and events particularly affected by the covid-19 pandemic, political instability in Asia and challenging US market conditions. EuroFinance, with its flagship international event held in the autumn, performed strongly again.

Total costs before exceptional items were £6m or 2% lower for the year. The strategy in recent years has been to progressively increase investment in the marketing of the circulation of *The Economist*. This strategy was reviewed during 2020, resulting in an £11m reduction in marketing spend. Expenditure was reduced in marketing channels where subscriber lifetime value measures are less profitable, including in experiential and television marketing, with a greater focus on retention activities. Lower revenues for content solutions and events also generated direct cost savings. Staff costs increased by 2% as the Group continued to invest in digital and product capabilities. There has also been an increase in provisions for potential bad-debt charges as the economic impact caused by the pandemic heightens the risk of non-payment by affected clients.

Exceptional items include a one-off gain of £36m relating to changes made to the UK defined-benefit plan at the time of its closure to future accrual in March 2020, largely the revaluation of future benefit increases from an RPI measure to a CPI basis. There are also exceptional goodwill impairment charges of £23m relating to the historical acquisitions of Canback, TVC and Signal Noise, where strategic emphasis on these businesses is changing in response to falling market demand, key-client and management issues and the economic impact of the covid-19 pandemic. Following a review of the project to replace our core subscription-management system in light of new requirements, new solutions in the market and our digital product strategy, £12m of software development expenditure incurred to date has been impaired. Exceptional costs also include restructuring charges relating to a reorganisation of the overall Group.

Profit before tax

Profit before tax increased by 5% to £31.8m. Finance income increased by £2.1m because the Group has accrued a full year compared to a part year of interest income on its 12.6% payment-in-kind ("PIK") promissory note received on the sale in 2019 of the CQ-Roll Call business to FiscalNote, Inc. Finance charges increased by £0.9m due to first-time recognition of lease interest charges following a change in accounting standards (see page 34).

Taxation

The taxation charge for the year is £10.7m (2019: £5.5m) and includes an exceptional non-cash deferred tax charge of £6.8m relating to the gain arising on closure of the UK defined-benefit pension scheme. The effective rate of taxation for the year is 33% or 25% before exceptional items (2019: 18% and 26% respectively).

Profit after tax and earnings per share

Profit after tax fell by 15% to £21.2m. Basic earnings per share from continuing businesses were 14% lower.

Balance sheet

The shareholders' deficit on the Group's balance sheet increased by £42.5m in the year to £97.6m. This is due to impairment provisions made against assets held on the balance sheet in relation to software-development expenditure, historical business acquisitions and the revaluation of the Group's investment in FiscalNote. FiscalNote, a company in which we hold a substantial interest, completed the integration of the CQ-Roll Call business, which was previously part of The Economist Group. FiscalNote recently raised $54m of additional capital to support its next phase of growth, though our equity interest reduced by £12m on revaluation.

Balance sheet liabilities include £119.3m (2019: £104.9m) of income received in advance from customers, a significant strength for the Group. Borrowings from banks only decreased by £1.2m as the Group preferred to hold additional liquidity at the year-end, rather than reduce debt levels, given the uncertainty caused by the onset of the lockdown in March 2020. The Group has adopted a new accounting standard, IFRS 16 "Leases", for the first time this year. Lease assets and liabilities, principally relating to property leases previously off-balance sheet, are recognised for the first time (see page 34).

Pensions

The Group operates a number of defined-contribution pension schemes for its staff.

The UK defined-benefit plan was closed to active participants in March 2020. The Group remains sponsor of the plan, which has commitments to provide pensions for deferred participants and pensioners. The plan's deficit, valued for accounting purposes using IAS 19 principles, increased by £3.3m to £19.2m. Scheme asset values decreased by £25.5m while scheme liabilities were lower by £50.6m. The reduction in liabilities was driven partly by the decision to close the scheme to active participants but mainly due to the change to linking future increases in pensions from RPI to CPI, as long-term CPI is expected to be lower than RPI. While these changes would in theory generate a surplus, the plan remains in deficit because IAS 19 only permits recognition of a surplus when the sponsor is entitled to a refund from the scheme. As this is not the case, a liability of £19.2m has been recognised, which represents the net present value of commitments made by the company to fund the actuarial deficit.

The triennial actuarial value of the fund at the last formal valuation date of January 1st 2019 determined a deficit on a funding basis at £50.5m. This latest actuarial valuation represented a change in strategy for both the Company and the trustees of the plan, with the objective of targeting a self-sufficiency basis. The Group agreed to close the deficit over a period ending in April 2025. When achieved, the plan will be self-sufficient and less reliant on the sponsor to fund its liabilities. The next actuarial valuation is due as at January 1st 2022.

Dividend

Following the onset of the covid-19 pandemic and the ensuing economic turmoil, the directors reviewed dividend policy in May 2020. The review focused on the Group's trading environment (both current and forecast), the liquidity needs of the business to both remain a going concern and trade within the terms of its bank debt covenants, the Group's net debt and leverage position, available headroom on banking facilities and the required investment in the business. As a result, the Board decided during these unprecedented times not to propose payment of a final dividend.

Prior to this, the Board last reviewed dividend policy in November 2019 and decided to reduce the interim dividend for 2019-20 due to lower operating profits. The per share value of the interim dividend (40.0p per share), paid in December 2019, when added to last year's final dividend (75.0p per share), paid in July 2019, brought the total paid in the year to 115.0p, 34.0p less than in the previous year. This represented a yield of 5% based on the year-end share price of £23.00. Dividend cover decreased as total dividends covered normalised earnings per share by 1.1 times (2019: 1.2 times).

Treasury and foreign exchange

The Group's treasury policy and approach is to identify and to constantly monitor and manage financial risks, including foreign-exchange and interest-rate exposures, as well as maintaining tight control over loan and cash balances. Treasury policies are agreed by the Board and implemented on a day-to-day basis by the central UK-based treasury department. A treasury committee oversees, provides guidance on, and acts as a monitor of treasury activities. The treasury department acts as a cost centre and not as a profit centre.

Net debt at the end of the year amounted to £119m, including, for the first time under new accounting standards, lease liabilities of £33m. Stripping out the lease liabilities, the Group had net debt of £86.2m at the year-end (2019: £93.7m). Cash and deposits at March 31st 2020 totalled £24.0m (2019: £17.7m). The Group's policy is to deposit cash not required as working capital, as

soon as practicable, in AAA-rated and AA-rated money market funds. These funds were earning 0.18% for sterling deposits and 0.40% for US deposits at the year-end. Counterparty limits approved by the treasury committee and notified to the Board are used to manage the risk of loss on deposits. The Group has not experienced any losses to date on its deposited cash.

At March 31st the Group had bank borrowings of £110.2m (2019: £111.4m), net of issue costs. Since November 2018 the Group has had a £150m multi-currency Revolving Credit Facility (RCF) which provides maximum flexibility in terms of future draw-downs and repayments with no amortisation. The RCF is held with five banks: Barclays, NatWest, Bank of Ireland, HSBC and Lloyds. The facility agreement also provides for an additional uncommitted £100m facility to be used by way of an accordion or incremental facility.

The committed RCF is unsecured and expires in November 2023. The RCF incurs interest at LIBOR plus 1.35%-2.25%, depending on the Group's ratio of net debt to EBITDA at its reporting dates. It incurs non-utilisation fees of 0.35% on the undrawn portion. The Group has hedged its RCF interest exposure by capping £75m of its floating-rate debt at 2% until expiry of the facility.

The main currency exposure of business transactions relates to US dollar receipts from sales in the United States. The foreign-exchange risk on this and other smaller currency exposures is managed through the use of forward foreign-exchange. For the year the US dollar averaged $1.27 against sterling (2019: $1.31) and closed at $1.24 (2019: $1.30). The stronger dollar has increased the translation of revenues and operating profits over the prior year by £6.0m and £2.4m respectively. Realised and unrealised losses from currency derivatives and translation of the balance sheet were £3.2m (2019: £3.2m). The split of net cash balances between dollars, sterling and other currencies is kept under constant review. The Group does not establish or maintain instruments that hedge the translation of overseas profits or assets and liabilities into sterling.

Cashflow

For the financial year there was a cash inflow of £7.8m before debt financing, compared with £25.7m in 2019. Operating cashflow of £55.2m is £16.2m higher than reported last year or £7.9m higher on a like-for-like basis after adjusting for the reclassification of property lease payments. Operating cashflow benefited from higher *Economist* subscription receipts, which are largely received in advance, and lower special payments to the pension plan. The Group's operating cash conversion was 176% (2019: 118%). Last year's cashflow included some significant one-off items including £47.6m of after-tax receipts from the sale of CQ-Roll Call, payments relating to the acquisitions of data information intelligence GmbH and Signal Noise, finance costs for early repayment of the Pricoa Private Placement loans, new facility arrangement fees and an interest-rate cap.

Going concern

Based on the Group's cashflow forecasts and projections, including the budget and modelling two further covid-19 scenarios, the Board is satisfied that the Group will be able to operate within the level of its bank facilities for the foreseeable future. For this reason, the Group continues to adopt the going-concern basis in preparing its financial statements.

As described elsewhere in this annual report, actions have been taken to respond to the measures introduced by governments due to covid-19: the newspaper has continued to publish and has seen an increase in subscriptions, but its performance has been affected by a reduction in newsstand circulation and advertising; live events have been cancelled; marketing services have seen a reduction, so we have announced the closure of TVC and potential sale or closure of Canback.

The two covid-19 scenarios model two economic recovery scenarios: A "U"-shaped recovery and a more prolonged "L"-shaped gradual recovery. The "U"-shaped recovery assumes that newsstand outlets do not open until the second half of the year and the "L"-shaped assumes marketing services and events are more severely impacted and take one year to recover.

Both of the covid-19 scenarios reflect the actions already taken by management, including;

- Cost-saving initiatives, such as reducing marketing spend, freezing pay and recruitment, and technology and operating expenditure cuts, with the exception of FCX, as described earlier;
- Not paying a final dividend payment for 2019-20; and
- Closing the TVC business and potentially closing or selling the Canback business, as announced on May 12th.

The Group will also benefit from the re-phasing and deferral of payments, which should generate cash savings of more than £5m up to the end of June.

In addition, the following steps regarding financing of the Group have been taken:

- Formal agreement has been reached with the syndicate of banks providing the Group's £150m RCF to

substantially relax the covenant tests for September 2020 and March 2021, with a commitment to review the September 2021 tests in due course;

- The directors have made enquiries as to whether the Group is likely to be eligible for the UK large business interruption loan scheme for funding of up to £50m, if it were ever needed; and
- Seeking a change at the Annual General Meeting of the borrowing limit contained in the Company's Articles, as a precautionary measure should the "L"-shaped scenario materialise.

The agreement with the banks, combined with the other measures taken, means that even under the "L"-shaped covid-19 scenario, the business would continue to have sufficient liquidity headroom on its existing facilities and against the RCF financial covenants.

As a result, the Board believes that the Group is well placed to manage its financing and other significant risks satisfactorily and that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going-concern basis in preparing its financial statements.

Changes in accounting standards

There is one new International Financial Reporting Standard applied by the Group in these financial statements. IFRS 16 "Leases" has been adopted and the Group has applied the modified retrospective approach. The standard requires lessees to recognise right-of-use assets and corresponding liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The new standard replaces the operating lease expense with a depreciation charge on the underlying asset and an interest expense on the liability. Comparatives for 2019 have not been restated. This has resulted in recognition of lease assets and liabilities of £26.6m and £32.7m respectively at March 31st 2020. The impact on the income statement for the year is to reduce profit before tax by £0.8m (increasing operating profit by £0.2m and finance costs by £1.0m).

SHANE NAUGHTON
Chief financial officer

Independent auditor's report to the members of The Economist Newspaper Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- the financial statements of The Economist Newspaper Limited (the parent company) and its subsidiaries (the Group) give a true and fair view of the state of the Group's and of the parent company's affairs as at March 31st 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cashflow statement;
- the related notes 1 to 38; and
- the parent company notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions 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 Financial Reporting Council's (the FRC) 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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going-concern basis of accounting in 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 12 months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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 respect of these matters.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

William Touche (senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London UK

June 17th 2020

Consolidated income statement

NOTE	Year ended March 31st	2020 £000	2019 £000
1, 2, 3	**Revenue**	**326,069**	**333,430**
	Cost of sales	(96,865)	(99,603)
	Gross profit	**229,204**	**233,827**
	Distribution costs	(40,523)	(42,118)
	Marketing, development and other administrative costs	(154,382)	(155,640)
	Operating profit before acquired intangible amortisation and exceptional items	**34,299**	**36,069**
	Acquired intangible amortisation	(658)	(561)
5	Closure of DB pension scheme	36,227	-
5	Impairments	(34,907)	(1,165)
5	Reorganisation and other costs	(3,522)	(3,286)
2	**Operating profit**	**31,439**	**31,057**
7	Finance income	5,965	3,909
8	Finance costs	(5,577)	(4,703)
1, 2	**Profit before tax**	**31,827**	**30,263**
9	Tax	(10,655)	(5,455)
	Profit for the year from continuing operations	**21,172**	**24,808**
10	Profit for the year from discontinued operations	-	43,511
	Profit for the year	**21,172**	**68,319**
	Attributable to:		
	Equity shareholders of the company	21,172	68,319
	Earnings per share for profit from continuing and discontinued operations attributable to equity shareholders of the company during the year		
11	**Basic (pence)**	**106.5**	**343.0**
11	Diluted (pence)	105.6	339.7
	Earnings per share for profit from continuing operations attributable to equity shareholders of the company during the year		
11	**Basic (pence)**	**106.5**	**124.5**
11	Diluted (pence)	105.6	123.3
12	Dividends per share on a cash basis (pence)	115.0	149.0
12	Dividends per share including proposed dividends (pence)	40.0	120.0

Consolidated statement of comprehensive income

NOTE	Year ended March 31st	2020 £000	2019 £000
	Profit for the year	**21,172**	**68,319**
	Items that may be reclassified subsequently to the income statement:		
27	Change in fair value of cashflow hedges	(737)	(2,191)
19	Attributable tax including prior year deferred tax	215	-
	Change in value of interest rate hedges	(397)	(475)
19	Attributable tax including prior year deferred tax	(6)	-
	Net exchange differences on translation of net investments in overseas subsidiary undertakings	2,781	3,764
38	Translation reserves recycled to income statement	-	(5,432)
	Net exchange differences on foreign currency loans	-	(3,879)
17	Fair value of equity investments	(11,715)	2,525
19	Attributable tax	2,444	(446)
	Items that will not be reclassified to the income statement:		
25	Remeasurement of retirement benefit obligations	(41,184)	5,766
19	Attributable tax	8,181	(980)
	Other comprehensive expense for the year	(40,418)	(1,348)
	Impact of change in accounting policy	3	-
	Total comprehensive (expense)/income for the year	**(19,243)**	**66,971**
	Attributable to:		
	Equity shareholders of the company	(19,243)	66,971

Consolidated balance sheet

NOTE	As at March 31st	2020 £000	2019 £000
14	Property, plant and equipment	8,163	9,276
15	Right-of-use assets	26,635	-
16	Intangible assets	32,803	63,767
17	Fixed asset investments	24,456	34,336
18	Financial assets - loan notes	56,688	48,518
19	Deferred tax assets	9,716	3,526
27	Derivative financial instruments	29	278
	Non-current assets	**158,490**	**159,701**
20	Inventories	612	967
21	Trade and other receivables	57,789	60,651
	Current tax assets	5,672	122
22	Cash and cash equivalents	24,020	17,660
	Current assets	**88,093**	**79,400**
	Total assets	**246,583**	**239,101**
23	Trade and other liabilities	(10,459)	(10,432)
24	Borrowings	(110,176)	(111,391)
33	Lease liabilities	(24,503)	-
19	Deferred tax liabilities	(8,120)	(7,276)
25	Retirement benefit obligations	(20,776)	(17,584)
	Other liabilities	(208)	(4,465)
	Non-current liabilities	**(174,242)**	**(151,148)**
23	Trade and other liabilities	(153,809)	(141,800)
33	Lease liabilities	(8,229)	-
27	Derivative financial instruments	(1,132)	(395)
	Current tax liabilities	(6,535)	-
26	Provisions	(223)	(223)
	Other liabilities	-	(662)
	Current liabilities	**(169,928)**	**(143,080)**
	Total liabilities	**(344,170)**	**(294,228)**
	Net liabilities	**(97,587)**	**(55,127)**
	Equity		
30	Share capital	1,260	1,260
31	ESOP shares	(5,072)	(4,716)
32	Treasury shares	(188,823)	(188,823)
	Translation reserve	(10,665)	(12,709)
	Retained earnings	105,713	149,861
	Total equity	**(97,587)**	**(55,127)**

The consolidated financial statements were approved by the board of directors and authorised for issue on June 16th 2020. They were signed on its behalf by:

Paul Deighton
Lara Boro
Directors

The Economist Newspaper Limited registered number 00236383

Consolidated statement of changes in equity

Year ended March 31st 2020

NOTE		Equity attributable to equity shareholders of the company					
		Share capital £000	ESOP shares £000	Treasury shares £000	Translation reserve £000	Retained earnings £000	Total equity £000
	At April 1st 2019	**1,260**	**(4,716)**	**(188,823)**	**(12,709)**	**149,861**	**(55,127)**
	Impact of change in accounting policy	-	-	-	-	3	3
	Profit for the year	-	-	-	-	21,172	21,172
	Other comprehensive expense	-	-	-	2,044	(42,462)	(40,418)
	Total comprehensive expense	-	-	-	2,044	(21,287)	(19,243)
31	Net purchase of own shares	-	(356)	-	-	-	(356)
12	Dividends	-	-	-	-	(22,861)	(22,861)
	At March 31st 2020	**1,260**	**(5,072)**	**(188,823)**	**(10,665)**	**105,713**	**(97,587)**

Year ended March 31st 2019

NOTE		Equity attributable to equity shareholders of the company					
		Share capital £000	ESOP shares £000	Treasury shares £000	Translation reserve £000	Retained earnings £000	Total equity £000
	At April 1st 2018	**1,260**	**(3,116)**	**(188,823)**	**(4,971)**	**104,861**	**(90,789)**
	Profit for the year	-	-	-	-	68,319	68,319
	Other comprehensive expense	-	-	-	(7,738)	6,390	(1,348)
	Total comprehensive income	-	-	-	(7,738)	74,709	66,971
31	Net purchase of own shares	-	(1,600)	-	-	-	(1,600)
12	Dividends	-	-	-	-	(29,709)	(29,709)
	At March 31st 2019	**1,260**	**(4,716)**	**(188,823)**	**(12,709)**	**149,861**	**(55,127)**

The translation reserve includes exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of these investments.

Consolidated cashflow statement

Year ended March 31st

	2020 £000	2019 £000
Cashflows from operating activities		
Operating profit - continuing businesses	31,439	31,057
Operating profit - discontinued businesses	-	1,944
Depreciation, amortisation and impairment charges	48,127	6,588
Acquisition costs	-	93
Decrease/(increase) in inventories	361	(54)
Decrease in trade and other receivables	3,740	6,052
Increase/(decrease) in trade and other liabilities	9,923	(3,894)
Decrease in retirement benefit obligations	(38,396)	(3,061)
Increase in provisions	-	234
Cash generated from operations	**55,194**	**38,959**
Taxes paid	(4,179)	(5,446)
Net cash generated from operating activities	**51,015**	**33,513**
Investing activities		
Interest received	64	440
Purchase of intangible assets	(6,913)	(8,280)
Purchase of property, plant and equipment	(1,066)	(1,253)
Proceeds from sale of subsidiary undertakings, net of taxes paid	-	47,613
Proceeds from sale of investments	-	214
Purchase of subsidiary undertakings, net of cash acquired	-	(1,270)
Payment of acquisition deferred consideration	-	(3,374)
Net cash (used in) / generated from investing activities	**(7,915)**	**34,090**
Financing activities		
Dividends paid	(22,861)	(29,709)
Interest paid	(4,815)	(9,934)
Payment of lease liabilities	(7,322)	-
Purchase of own shares	(853)	(2,073)
Proceeds from borrowings	28,000	203,045
Repayment of borrowings	(29,440)	(222,032)
Net cash used in financing activities	**(37,291)**	**(60,703)**
Effects of exchange rate changes on cash and cash equivalents	551	(193)
Net increase in cash and cash equivalents	6,360	6,707
Cash and cash equivalents at the beginning of the year	17,660	10,953
Cash and cash equivalents at the end of the year	**24,020**	**17,660**

Consolidated cashflow statement (continued)

Year ended March 31st

Net debt	2020 £000	2019 £000
Net debt at beginning of the year	(93,731)	(116,113)
Net increase in cash and cash equivalents	6,360	6,707
Proceeds from borrowings	(28,000)	(203,045)
Payment of lease liabilities	7,322	-
Adjustment on initial application of IFRS 16	(39,621)	-
Repayment of borrowings	29,440	222,032
Other non-cash changes	(225)	567
Effect of foreign-exchange rate movements	(433)	(3,879)
Net debt at the end of the year	**(118,888)**	**(93,731)**
Net debt comprises:		
Cash at bank and in hand	24,020	17,660
Total cash and cash equivalents	24,020	17,660
Lease liabilities	(32,732)	-
Borrowings	(110,176)	(111,391)
Total net debt	**(118,888)**	**(93,731)**

Notes to the consolidated financial statements

The Economist Newspaper Limited (the company) and its subsidiaries (together the Group) are international businesses covering publishing, the supply of business information and consulting services, conferences, marketing services and data design.

The company is limited by shares and is a private limited company incorporated and domiciled in England. The address of its registered office is The Adelphi, 1-11 John Adam Street, London, WC2N 6HT.

These consolidated financial statements were approved for issue by the board of directors on June 16th 2020.

NOTE 1 Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

a. Basis of preparation

These consolidated financial statements have been prepared on the going-concern basis and in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRSIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. In respect of the accounting standards applicable to the Group, there is no difference between EU-adopted and IASB-adopted IFRS.

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) to fair value through profit or loss.
Notwithstanding the fact that the Group has net liabilities, the directors believe it is appropriate to prepare the financial statements on a going-concern basis based on: the strength of future anticipated trading; the nature and timing of settlement of the Group's liabilities; and the availability of committed financing to meet future cashflow needs of the Group.

Based on the Group's cashflow forecasts and projections, including the budget and modelling two further covid-19 scenarios, the Board is satisfied that the Group will be able to operate within the level of its bank facilities for the foreseeable future. For this reason, the Group continues to adopt the going-concern basis in preparing its financial statements.

As described elsewhere in this annual report, actions have been taken to respond to the measures introduced by governments due to covid-19: the newspaper has continued to publish and has seen an increase in subscriptions, but its performance has been affected by a reduction in newsstand circulation and advertising; live events have been cancelled; marketing services have seen a reduction, so we have announced the closure of TVC and sale or closure of Canback.

The two covid-19 scenarios model two economic recovery scenarios: A "U"-shaped recovery and a more prolonged "L"-shaped gradual recovery. The "U"-shaped recovery assumes that newsstand outlets do not open until the second half of the year and the "L"-shaped assumes our marketing services and events are more severely impacted and take one year to recover.

Both of the covid-19 scenarios reflect the actions already taken by management, including:
• Cost-saving initiatives, such as reducing marketing spend, freezing pay and recruitment, and technology and operating expenditure cuts, with the exception of FCX, as described earlier;
• Not paying a final dividend payment for 2019-2020; and
• Closing the TVC business, announced on May 12th.

The Group will also benefit from re-phasing and deferral of payments, which should generate cash savings of more than £5m up to the end of June.

In addition, the following steps regarding financing of the Group have been taken:

• Formal agreement has been reached with the syndicate of banks providing the Group's £150m RCF to substantially relax the covenant tests for September 2020 and March 2021, with a commitment to review the September 2021 tests in due course;
• The directors have made enquiries as to whether the Group is likely to be eligible for the UK large business interruption loan scheme for funding of up to £50m, if it were ever needed; and
• Seeking a change at the Annual General Meeting of the borrowing limit contained in the Company's Articles, as a precautionary measure should the "L"-shaped scenario materialise.

The agreement with the banks combined with the other measures taken means that, even under the "L"-shaped covid-19 scenario, the business would continue to have sufficient liquidity headroom on its existing facilities and against the RCF financial covenants.

As a result, the Board believes that the Group is well placed to manage its

financing and other significant risks satisfactorily and that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going-concern basis in preparing its financial statements.

1. New standards , interpretations and amendments adopted in the year

The following standards, interpretations and amendments were adopted in the year:

- IFRS 16 ("Leases");

- Amendments to IFRS 9 ("Prepayment features with negative compensation and modifications of financial liabilities");

- Amendments to IAS 19 ("Plan amendments, curtailments or settlements");

- Amendments to IAS 28 ("Long-term interests in Associates and Joint Ventures");

- Annual Improvements to IFRS's 2015 – 17 cycle;

- IFRIC 23 Uncertainty over Income Tax Treatments; and

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

The adoption of these standards has not had a material impact on the financial statements of the Group, except for the adoption of IFRS 16 "Leases" as set out in note 1s.

2. Standards, interpretations and amendments to published standards that are not yet effective.

The following published standards and amendments to existing standards, which have not yet all been endorsed by the EU, are expected to be effective as follows:

From the year beginning April 1st 2020:
- Amendments to References to the Conceptual Framework in IFRS Standards;

- Definition of a Business (Amendments to IFRS 3); and

- Definition of Material (Amendments to IAS 1 and IAS 8).

From the year beginning April 1st 2021:

- IFRS 17 Insurance Contracts.

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, although the full assessment is not complete.

3. Critical accounting assumptions and judgments

The preparation of financial statements in conformity with IFRS requires the Group to make judgments, estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. No judgments made in the process of applying the Group's accounting policies, other than those involving estimates, have had a significant effect on the amounts recognised within the financial statements. The areas requiring a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are discussed in the relevant accounting policies under the following headings and in the notes to the accounts where appropriate:

- Intangible assets: Goodwill (notes 1e and 16);

- Intangible assets: Acquired customer lists and contracts (notes 1e and 16);

- Taxation (note 1l, 9 and 19);

- Employee benefits: Pensions (notes 1m and 25);

- Employee benefits: Share-based payments (notes 1m and 13); and

- Other financial assets: Investments and loans (notes 1f, 17 and 18).

b. Consolidation

1. Business combinations

The acquisition method of accounting is used to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred in the administrative expenses line of the income statement.

Identifiable assets and identifiable liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The determination of fair values often requires significant judgments and the use of estimates, and for material acquisitions, the fair value of the acquired intangible assets is determined by an independent valuer. The excess of the fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair

value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

See note 1e for the accounting policy on goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Management exercises judgment in determining the classification of its investments in its businesses.

2. Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

c. Foreign currency translation

1. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in sterling, which is the company's functional and presentation currency.

2. Transactions and balances

Foreign-currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign-exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

3. Group companies

The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities are translated at the closing rate at the date of the balance sheet.

ii) Income and expenses are translated at average exchange rates.

iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. The Group treats specific inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

The principal overseas currency for the Group is the US dollar. The average rate for the year against sterling was $1.27 (2019: $1.31) and the year-end rate was $1.24 (2019: $1.30).

d. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. Finance costs which are directly attributable to the cost of construction of property, plant and equipment are capitalised as part of the costs of that tangible fixed asset. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

i) Leasehold buildings: over the period of the lease.

ii) Plant and machinery, and equipment: 3-10 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance-sheet date. The carrying value of an asset is written down to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable amount.

e. Intangible assets

1. Goodwill

For the acquisition of subsidiaries made on or after April 1st 2014, goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. For the

acquisition of subsidiaries made prior to April 1st 1998, purchased goodwill arising on consolidation was written off to reserves in the year in which it arose. For the acquisition of subsidiaries made on or after April 1st 1998 and prior to the date of transition to IFRS on March 31st 2014, goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss is recognised to the extent that the carrying value of goodwill exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. These calculations require the use of estimates and significant management judgment.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units (CGUs) to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cashflows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the balance-sheet date was £19,801,000 (2019: £42,264,000). There have been a number of impairments to the value of goodwill. See note 16 for details of the impairments, the key assumptions, the tests for impairment and the sensitivity of the estimates used by the Group.

Goodwill is allocated to aggregated CGUs for the purpose of impairment testing. The allocation is made to those aggregated CGUs that are expected to benefit from the business combination in which the goodwill arose.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold except for disposals of entities acquired before April 1st 2008, where goodwill was originally charged to reserves and is not recycled on disposal.

IFRS 3 "Business Combinations" has not been applied retrospectively to business combinations before the date of transition to IFRS.

2. Acquired software

Software separately acquired for internal use is capitalised at cost. Software acquired in material business combinations is capitalised at its fair value as determined by an independent valuer. Acquired software is amortised on a straight-line basis over its estimated useful life of between three and ten years. The amortisation period, method and residual value are reviewed annually.

3. Internally developed software

Internal and external costs incurred during the preliminary stage of developing computer software for internal use are expensed as incurred. Internal and external costs incurred to develop computer software for internal use during the application development stage are capitalised if the Group expects economic benefits from the development. Capitalisation in the application development stage begins once the Group can reliably measure the expenditure attributable to the software development and has demonstrated its intention to complete and use the software. Internally developed software is amortised on a straight-line basis over its estimated useful life of between three and ten years. Internally developed software is reviewed annually for impairment where it has an indefinite life or where it is not currently available for use.

4. Acquired intangible assets

Acquired intangible assets include customer lists, contracts and relationships, trademarks and brands, publishing rights, content, technology and software rights. These assets are capitalised on acquisition at cost and included in intangible assets. Intangible assets acquired in material business combinations are capitalised at their fair value as determined by an independent valuer. Intangible assets are amortised over their estimated useful lives of between 2 and 20 years, using an amortisation method that reflects the pattern of their consumption.

f. Other financial assets

Other financial assets, designated as available for sale investments, are non-derivative financial assets measured at estimated fair value. Changes in the fair value are recorded in equity in the fair value reserve. On the subsequent disposal of the asset, the net fair value gains or losses are taken to the income statement.

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans receivable are carried at amortised cost using the effective-interest method.

g. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in first out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Provisions are made for slow-moving and obsolete stock.

h. Cash and cash equivalents

Cash and cash equivalents in the cashflow statement include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities in the balance sheet.

Short-term deposits and marketable securities with maturities of greater than three months do not qualify as cash and cash equivalents. Movements on these financial instruments are classified as cashflows from financing activities in the cashflow statement where these amounts are used to offset the borrowings of the Group, or as cashflows from investing activities where these amounts are held to generate an investment return.

i. Share capital

Ordinary, "A" and "B" special shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the company's equity share capital, either under the employee share ownership plan or as treasury shares, the consideration paid, including any directly attributable incremental costs, net of taxes, is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction costs and the related tax effects, is included in equity attributable to the company's equity holders.

j. Borrowings

Borrowings are recognised initially at fair value, which is proceeds received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings using the effective-interest method. Where a debt instrument is in a fair value hedging relationship, an adjustment is made to its carrying value in the income statement to reflect the hedged risk. Interest on borrowings is expensed in the income statement as incurred.

k. Derivative financial instruments

Derivatives are recognised at fair value and are remeasured at each balance-sheet date. The fair value of derivatives is determined by using market data and the use of established estimation techniques such as discounted cashflow and option valuation models. The Group designates certain of the derivative instruments within its portfolio to be hedges of the fair value of its cashflows (cashflow hedges) or hedges of net investments in foreign operations (net investment hedges).

Changes in the fair value of derivatives that are designated and qualify as cashflow hedges are recorded in other comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as net investment hedges is recognised in other comprehensive income. Gains and losses accumulated in equity are included in the income statement when the corresponding foreign operation is disposed of. Gains or losses relating to the ineffective portion are recognised immediately in finance income or finance costs in the income statement.

Certain derivatives do not qualify or are not designated as hedging instruments. Such derivatives are classified at fair value and any movement in the fair value is recognised immediately in administrative costs in the income statement.

In September 2019, the IASB issued *Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7*. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts the Group's accounting in the following ways:

- The Group has floating rate debt, linked to GBP LIBOR, which it fair-value hedges using an interest rate cap. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.

- The Group will not discontinue hedge accounting should the retrospective assessment of hedge effectiveness fall outside the 80-125% range and the hedging relationship is subject to interest rate benchmark reforms. For those hedging relationships that are not subject to the interest rate benchmark reforms the Group continues to cease hedge accounting if retrospective

effectiveness is outside the 80-125% range.

• The Group will retain the cumulative gain or loss in the cashflow hedge reserve for designated cashflow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cashflows of the hedged items. Should the Group consider the hedged future cashflows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The Group has chosen to early apply the amendments to *IFRS 9/IAS* 39 for the reporting period ending March 31st 2020, which are mandatory for annual reporting periods beginning on or after January 1st 2020. Adopting these amendments allows the Group to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

l. Taxation

Current tax is recognised on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance-sheet date.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance-sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be used.

Deferred tax is recognised on the unremitted earnings of subsidiaries except where the parent is able to control the timing of the remittance of the earnings and it is probable that remittance will not take place in the foreseeable future.

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly to equity or other comprehensive income, in which case the tax is also recognised in equity or other comprehensive income.

Current and deferred tax are recognised in the same component of total comprehensive income or equity as the transaction or other event that resulted in the tax expense, except for deferred tax arising on the initial recognition of a business combination, which is recognised via goodwill.

The Group is subject to taxes in numerous jurisdictions. Significant judgment is required in determining the estimates in relation to the worldwide provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets and liabilities require management judgment in determining the amounts to be recognised. In particular, significant judgment is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

m. Employee benefits

1. Pensions

The retirement benefit asset and obligation recognised in the balance sheet represents the net of the present value of the defined-benefit obligation and the fair value of scheme assets at the balance-sheet date. The defined-benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting estimated future cashflows using yields on high-quality corporate bonds which have terms to maturity approximating the terms of the related liability.

When the calculation results in a potential asset, the recognition of that asset is limited to the asset ceiling, that is the present value of any economic benefits available in the form of refunds from the plan or a reduction in future contributions. Management uses judgment to determine the level of refunds available from the plan in recognising an asset.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The service cost, representing benefits accrued over the year, is included in the income statement as an operating cost. Past-service costs are recognised in full in the income statement in the period in which they occur. Net

interest is calculated by applying the discount rate to the net defined-benefit obligation and is presented as finance costs or finance income. Obligations for contributions to defined-contribution pension plans are recognised as an operating expense in the income statement as incurred.

Determining the value of pension liabilities at the balance-sheet date requires a number of key variables, including inflation, longevity, salary growth and the discount rate to be estimated by the Group. These estimates have a material impact on the valuation of the pension liability. See note 25 for details of the pension liability valuation and the sensitivity of the assumptions used by the Group.

2. Other post-retirement obligations

The liabilities and costs relating to other post-retirement obligations are assessed annually by independent qualified actuaries.

3. Share-based payments

The Group awards certain employees entitlements to share-based payments in accordance with its restricted share plan. The fair value of the awards granted is recognised as an employee expense after taking into account the Group's best estimate of the number of awards expected to vest. Fair value is measured at the date of grant and at each period end and is spread over the vesting period of the award.

Management regularly performs a true-up of the estimate of the number of awards that are expected to vest. This is dependent on the anticipated number of leavers.

A liability equal to the portion of the services received is recognised at the current fair value determined at each balance-sheet date.

n. Provisions

Provisions are recognised if the Group has a present legal or constructive obligation as a result of past events, if it is more likely than not that an outflow of resources will be required to settle the obligation, and if the amount can be reliably estimated. Provisions are discounted to present value where the effect is material.

The Group recognises a provision for contingent consideration at fair value. Where this is contingent on future performance or a future event, judgment is exercised in establishing the fair value.

o. Revenue recognition

The Group's significant revenue streams include circulation and subscriptions, advertising and marketing services which includes sponsorship, as well as other revenues.

Circulation and subscriptions include sales by *The Economist* and the Economist Intelligence Unit for access to content either through a periodic subscription or as a single-edition purchase on the newsstand or through a digital download. Advertising includes print, online and digital advertising in one of the Group's print titles, websites, apps or digital partnerships. Marketing services include revenue derived from thought leadership and content solutions sales, the setting-up of television, radio and online coverage for public-relations launches and campaigns, and design consultancy. The Group's sponsorship revenues are in relation to events, meetings and films. Other revenues include sales of economic, industry and management consultancy services, event delegate fees, membership fees, licensing and sales of publishing rights to clients.

Revenue is recognised in order to depict the transfer of control of promised goods and services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and services. This process begins with the identification of our contract with a customer, which is generally through a master services agreement, acceptance of terms and conditions, customer purchase order, or a combination thereof. Within each contract, judgment is applied to determine the extent to which activities within the contract represent distinct performance obligations to be delivered and the total amount of transaction price to which we expect to be entitled.

The transaction price determined is net of sales taxes, rebates and discounts, and after eliminating sales within the Group. Where a contract contains multiple performance obligations such as the provision of more than one product or service, revenue is allocated on the basis of relative standalone selling prices.

Revenue is recognised on contracts with customers when or as performance obligations are satisfied, which is the period or the point in time where control of goods or services transfer to the customer. Judgment is applied to determine first whether control passes over time, and if not, then the point in time at which control passes. Where revenue is recognised over time judgment is used to determine the method which best depicts the transfer of control. Where an input method is used, significant estimation is required to determine the progress towards delivering the performance obligation.

Revenue from the sale of publications on the newsstand is recognised net of a provision for anticipated returns. This provision is based primarily on historical return rates. If these estimates do not reflect actual returns in future periods, then revenues could be understated or overstated for a particular period.

The Group may enter into contracts with another party in addition to our customers. In making the determination as to whether revenue should be recognised on a gross or net basis, the contract with the customer is analysed to understand which party controls the relevant good or service prior to transferring to the customer. This judgment is informed by facts and circumstances of the contract in determining whether the Group has promised to provide the specified good or service or whether the Group is arranging for the transfer of the specified good or service, including which party is responsible for fulfilment, has discretion to set the price to the customer and is responsible for inventory risk. On certain contracts, where the Group acts as an agent, only commissions and fees receivable for services rendered are recognised as revenue. Any third-party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement are not included in revenue.

Income from recharges of freight and other activities which are incidental to the normal revenue-generating activities are included in other income.

Revenue relating to barter transactions is recorded at fair value and recognised in accordance with the Group's revenue recognition policies. Expenses from barter transactions are recorded at fair value and recognised as incurred. Barter transactions typically involve the trading of advertisements in exchange for services and or event space.

p. Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the company's shareholders.

q. Trade receivables

Trade receivables are stated at fair value after provision for bad and doubtful debts. The provision for bad and doubtful debts is based on expected credit losses.

r. Assets held for sale and discontinued operations

Non-current assets and businesses which are to be sold ("disposal groups") classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets (and disposal groups) are classified as held for sale if their carrying amount is expected to be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when such a sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets are classified as held for sale from the date these conditions are met, and such assets are no longer depreciated.

Discontinued operations are classified as held for sale and are either a separate business segment or a geographical area of operations that is part of a single coordinated plan to sell. Once an operation has been identified as discontinued, or is reclassified as discontinued, the comparative information in the income statement is restated.

s. Change of accounting policy: IFRS 16 "Leases"

The Group has adopted IFRS 16 "Leases" at April 1st 2019 and applied the modified retrospective approach. The standard requires lessees to recognise right-of-use assets and corresponding liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The new standard replaces the operating lease expense with a depreciation charge on the underlying asset and an interest expense on the liability. Comparatives for 2019 have not been restated and the cumulative impact of adoption has been recognised as an increase in net assets with a corresponding increase in retained earnings at April 1st 2019. Opening asset and liability values have been restated as follows:

	April 1st 2019
Non-current assets	£000
Property, plant and equipment (right-of-use assets)	34,946
Deferred tax assets	3,287
Current assets	
Trade and other receivables	(137)
Non-current liabilities	
Financial liabilities – borrowings	(32,349)
Deferred tax liabilities	(3,287)
Other liabilities	4,230
Current liabilities	
Financial liabilities – borrowings	(7,272)
Other liabilities	585
Total increase in retained earnings at April 1st 2019	3

The table below presents a reconciliation from operating lease commitments disclosed at March 31st 2019 to lease liabilities recognised at April 1st 2019. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at April 1st 2019. The weighted average rate applied is 2.7%.

	April 1st 2019
	£000
Operating lease commitments disclosed under IAS 17 at March 31st 2019	44,335
Short-term and low-value lease commitments straight-line expensed under IFRS 16	(194)
Other reconciling items (net) – lessor rent receivable / other	467
Effect of discounting	(4,987)
Lease liabilities recognised at April 1st 2019	39,621

The Group's lease portfolio consists of property and equipment leases. The lease liability has been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at transition. The right-of-use asset has been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments and incentives relating to the lease in the balance sheet immediately before the date of transition. Transition recognition exemptions, as permitted under IFRS 16 relating to short-term and low-value leases, have been applied as well as practical expedients taken, where available, to simplify the transition process. Revenues and costs for these items will therefore continue to be expensed directly to the income statement.

The impact on the income statement for the year is to reduce profit before tax by £767,000, increasing operating profit by £232,000 and increasing net finance costs by £999,000. There is no overall impact on the Group's cash and cash equivalents although there is a change to the classification of cashflows in the cashflow statement with lease payments previously categorised within net cash generated from operations now being split between principal and interest elements within financing activities. In the year to March 31st 2020 there were £8,321,000 of lease payments classified as principal (£7,322,000) and interest (£999,000).

The Group has also included the lease liability of £32,732,000 as part of its net debt. This does not impact how bank debt covenants are measured.

The Group has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

NOTE 2 Segment information

Segment information is presented in respect of the Group's business divisions and reflects the Group's management and internal reporting structure. The Group is organised into two business divisions: The Economist Businesses; and the Economist Intelligence Unit. A breakdown of the Group's revenue and operating profit by business division is set out below together with an analysis of the trading performance of the Group by geographical area.

	Revenue		Operating profit	
	2020	2019	2020	2019
Analysis by business	£000	£000	£000	£000
The Economist Businesses	260,671	268,636	21,904	18,355
The Economist Intelligence Unit	65,398	64,794	12,395	17,714
Revenue/operating profit before exceptional items	326,069	333,430	34,299	36,069
Acquired intangible amortisation	-	-	(658)	(561)
Closure of DB pension scheme (note 5)	-	-	36,227	-
Impairments (note 5)	-	-	(34,907)	(1,165)
Reorganisation and other costs (note 5)	-	-	(3,522)	(3,286)
	326,069	333,430	31,439	31,057

Revenue reported above is generated from external customers, and inter-segment revenue has been eliminated.

	Revenue		Profit before tax		Net (liabilities)/assets	
	2020	2019	2020	2019	2020	2019
Analysis by origin of legal entity	£000	£000	£000	£000	£000	£000
United Kingdom	218,161	229,260	28,552	21,458	(109,736)	(113,202)
Europe	884	408	824	713	2,410	29,214
North America	94,339	90,641	(2,191)	5,169	(10,256)	7,198
Asia	11,982	12,391	4,720	3,020	20,384	22,097
Other	703	730	(78)	(97)	(389)	(434)
	326,069	333,430	31,827	30,263	(97,587)	(55,127)

	2020	2019
Revenue by customer location	£000	£000
United Kingdom	61,822	63,455
North America	127,792	127,959
Europe	60,998	63,923
Asia	54,514	58,032
Other	20,943	20,061
	326,069	333,430

NOTE 3 Revenue from contracts with customers

The following table analyses the Group's revenue streams:

	2020 £000	2019 £000
The Economist Businesses		
Circulation and subscriptions	173,380	164,204
Advertising	51,657	56,613
Marketing services	35,634	47,819
	260,671	268,636
The Economist Intelligence Unit		
Research	41,257	40,881
Consulting services	24,141	23,913
	65,398	64,794
	326,069	333,430

Nature of goods and services

The following is a description of the nature of the Group's performance obligations within contracts with customers broken down by revenue stream, along with significant judgments and estimates made within each of those revenue streams.

The Economist Businesses

Circulation and subscriptions

Circulation revenue relating to a newspaper or other print publications is recognised at a point in time on the date of publication. The Group acts as agent in the sale of publications and recognises revenues net of commissions paid to distributors. Goods are sold separately. In determining the transaction price, variable consideration exists in the form of anticipated returns. A provision for anticipated returns is made based primarily on historical return rates. If these estimates do not reflect actual returns in future periods, then revenues could be understated or overstated for a particular period. Circulation revenue relating to the download of a digital product hosted by a third party is recognised when control transfers as the customer is granted access to the digital product. Payment for these goods generally occurs shortly after the point of sale.

Subscription revenue is derived from the sale of print and digital editions of publications and revenue is recognised in the income statement on a straight-line basis over the subscription period. The subscription period is based on the number of weeks purchased. Print and digital subscriptions may be sold separately or purchased together in bundled packages. Subscriptions included in bundled arrangements are considered distinct performance obligations. The performance obligation which is based on the number of weeks is the same for both a print and digital subscription. Payment for subscriptions generally occurs at the start of the subscription period.

Advertising

Advertising revenue is generated from customers through the sale of printed pages and digital display adverts in the Group's publications. Advertising is also generated from the sale of online advertising campaigns on the Group's websites or on third-party networks and platforms. Advertising sold into a specific edition is recognised at a point in time when the performance obligation is fulfilled, which is the date of publication. Advertising sold as part of a prolonged campaign is recognised over time reflecting the pattern in which the performance obligation is fulfilled. Advertising may be sold separately or purchased together in bundled packages. Advertising sold as part of a bundled arrangement along with the Group's other product offerings is considered to be a distinct performance obligation. The transaction price is allocated between distinct

NOTE 3 Revenue from contracts with customers (continued)

performance obligations on the basis of their relative standalone selling prices. Customer payments are generally defined in the contract as occurring shortly after invoicing.

Marketing Services

Marketing services include revenue derived from thought leadership and content solutions sales, the setting-up of television, radio and online coverage for public-relations launches and campaigns, and design consultancy. Revenue is recognised for marketing services over the period the services are provided, as performance occurs. The performance obligations are distinct, being deliverables issued or events held. Transaction prices for performance obligations are fixed within contracts and recognised in line with the performance obligations. Marketing services sold as part of a bundled arrangement along with the Group's other product offerings are considered to be distinct performance obligations. The transaction price is allocated between distinct performance obligations on the basis of their relative standalone selling prices. Customer payments are generally defined in the contract as occurring shortly after invoicing.

Sponsorship revenues relate to the sponsorship of events and films. Sponsorship revenue is recognised at a point in time when the event has taken place or when the film has been broadcast. Sponsorship sold as part of a bundled arrangement along with the Group's other product offerings are considered to be distinct performance obligations. The transaction price is allocated between distinct performance obligations on the basis of their relative standalone selling prices. Customer payments are generally defined in the contract as occurring shortly after invoicing and are often invoiced in advance of delivery in the case of events.

Revenues generated from delegates relate to fees charged for attendance at the Group's events and are recognised at a point in time when the event has taken place. Customer payments are generally received prior to the event taking place. Revenues generated from licensing the Group's content and sale of second rights contracts are generally recognised over time, as contracts permit customers to access our content throughout the contract period.

The Economist Intelligence Unit

Research

Research revenue is derived from the sale of subscriptions to the EIU's Country Analysis business, which provides economic, political and business analysis and forecasts for over 200 countries in print and online formats. Revenue is recognised in the income statement on a straight-line basis over the subscription period. The subscription period is generally over a 12-month period, though there are some instances of multi-year deals. In determining the transaction price, variable consideration exists in the form of discounts. Discounts reduce the transaction price on a given transaction. Subscriptions may be sold separately or purchased together in bundled packages. Subscriptions included in bundled arrangements are considered distinct performance obligations. Customer payments are generally defined in the contract as occurring shortly after invoicing though credit terms vary between markets.

Sponsorship revenues relate to the sponsorship of the EIU's Corporate Network and Executive Briefings and are recognised at a point in time when a meeting has taken place. Customer payments are generally defined in the contract as occurring shortly after invoicing.

Revenue generated from memberships relates to fees charged to members of the EIU Corporate Network, and membership fees are recognised over time in accordance with the membership period set out in the contract. Revenue generated from the sale of second rights to EIU content is generally recognised over time, as contracts permit customers to access content throughout the contract period.

NOTE 3 Revenue from contracts with customers (continued)

Consulting

Consulting revenues relate to the sale of economic, industry and management consulting services for clients operating in the public policy, healthcare and consumer markets. Revenue is recognised for consulting services over the period of the contract, as performance occurs. The performance obligations are distinct, being deliverables issued or events held. Transaction prices for performance obligations are fixed within contracts and recognised in line with the performance obligations. Consulting services sold as part of a bundled arrangement along with the Group's other product offerings are considered to be distinct performance obligations. The transaction price is allocated between distinct performance obligations on the basis of their relative standalone selling prices. Customer payments are generally defined in the contract as occurring shortly after invoicing, with invoicing scheduled around the timing of delivery of milestones.

Disaggregation of revenue

The tables in note 3 show revenue from contracts with customers disaggregated by operating segment and revenue stream. These disaggregation categories are appropriate as they represent the key groupings used in managing and evaluating underlying performance of each of the businesses. The categories also reflect groups of similar types of transactional characteristics, among similar customers, with similar accounting conclusions.

Contract balances

Transactions within circulation and subscriptions revenue streams generally entail customer billings at or near the contract's inception, and accordingly deferred income balances are primarily related to subscription performance obligations to be delivered over time.

Transactions within marketing services, sponsorship and consulting services revenue streams generally entail contractually agreed billing schedules, sometimes based on progress towards milestones. As the performance obligations within these arrangements are delivered at a point in time, the extent of accrued income or deferred income will depend upon the difference between revenue recognised and billings to date. Refer to note 21 for opening and closing balances of accrued income. Refer to note 23 for opening and closing balances of deferred income.

NOTE 4 Operating expenses

By function	2020 £000	2019 £000
Other product costs	22,907	25,735
Distribution and fulfilment	39,834	41,347
Employee benefit costs	113,376	110,967
Closure of DB pension scheme	(36,227)	-
Contract labour	15,807	14,918
Employee-related expense	9,572	8,893
Promotional costs	48,895	60,169
Depreciation of property, plant and equipment (note 14)	2,156	2,187
Depreciation of right-of-use assets (note 15)	8,723	-
Amortisation of acquired intangible assets (note 16)	658	561
Amortisation of software and other intangibles (note 16)	1,683	1,905
Impairment of intangible assets	34,907	1,165
Property and facilities	8,374	6,752
Technology and communications	5,753	5,416
Professional and outsourced services	10,101	9,025
Other general and administrative costs	2,022	1,446
Acquisition costs	-	93
Operating lease (credits)/charges	(229)	7,573
Foreign exchange losses	3,205	3,199
Provisions for contingent consideration relating to acquisitions	-	(609)
Loss allowance on trade receivables and other losses	3,113	1,631
Total costs	294,630	302,373

During the year the Group obtained the following services from the Group's auditor	2020 £000	2019 £000
The audit of parent company and consolidated financial statements	271	232
The audit of the company's subsidiaries	332	331
Total audit fees	603	563
Other assurance services	10	10
Tax compliance services	238	79
Other services	23	25
Total non-audit services	271	114
Total Group auditor's remuneration	874	677

NOTE 5 Exceptional items

The following exceptional items have been (credited)/charged to operating profit	2020 £000	2019 £000
Closure of DB pension scheme (note 25)	(36,227)	-
Impairment of software development costs (note 16)	12,178	1,165
Impairment of goodwill (note 16)	22,729	-
Reorganisation costs (see note 6)	3,522	3,895
Movement in contingent consideration relating to acquisitions (note 26)	-	(609)
	2,202	4,451

NOTE 6 Employee information

The year-end and monthly average number of employees, including executive directors, was as follows:

	2020		2019	
Analysis by business	Monthly average	Year-end	Monthly average	Year-end
The Economist Businesses	861	890	841	819
The Economist Intelligence Unit	472	470	439	470
	1,333	1,360	1,280	1,289

The details of directors' emoluments are shown in table 2, page 30, within the directors' report on remuneration.

Employee benefit costs including directors' emoluments	2020 £000	2019 £000
Wages and salaries	94,657	92,964
Social security costs	9,101	8,513
Share-based payment costs	1,466	1,596
Retirement benefits - defined-benefit plans	2,651	2,791
Retirement benefits - defined-contribution plans	5,501	5,103
	113,376	110,967

Wages and salaries include £3,522,000 (2019: £3,895,000) of restructuring-related costs.

NOTE 7 Finance income

	2020 £000	2019 £000
Interest receivable on bank deposits	64	440
Interest receivable on 12.6% promissory notes	5,901	3,469
Finance income	5,965	3,909

Finance income includes interest accrued on US$ 58,557,176, 12.6% payment-in-kind ("PIK") promissory notes receivable from FiscalNote, Inc. The PIK notes were received as part consideration for the sale of CQ-Roll Call, Inc to FiscalNote, Inc. on August 20th 2018 and are repayable by February 2024.

NOTE 8 Finance costs

	2020 £000	2019 £000
Interest payable on bank loans and overdrafts	3,434	2,862
Amortisation of debt issue costs	225	343
Interest on lease liabilities	999	-
Movements in acquisition contingent consideration	-	198
Net finance costs in respect of retirement benefits	412	608
Other finance charges	507	692
Finance costs	5,577	4,703

NOTE 9 Tax

	2020	2019
Current tax expense	£000	£000
UK corporation tax expense	1,397	3,117
Foreign tax expense	3,052	791
Adjustments in respect of prior years	1,033	(854)
	5,482	3,054
Deferred tax expense		
Current year	5,799	1,771
Effect of change in tax rates	118	(72)
Adjustments in respect of prior years	(744)	702
	5,173	2,401
Total tax expense in income statement	10,655	5,455
Effective tax rate	33%	18%

NOTE 9 Tax (continued)

The UK corporation tax rate for the year is 19% (2019: 19%). The tax on the Group's profit before tax differs from the theoretical amount that would arise using the UK tax rate for the reasons set out in the following reconciliation:

	2020 £000	2019 £000
Profit before tax	31,827	30,263
Tax calculated at UK rate of 19% (2019: 19%)	6,047	5,749
Factors affecting the tax charge:		
Disallowed expenditure	100	642
Non-taxable foreign exchange gain/(loss)	167	(2,076)
Different tax rates of subsidiaries operating in overseas jurisdictions	738	1,942
US state taxes	124	(61)
Impairment of goodwill and fixed asset investments	4,051	-
Utilisation of previously unrecognised tax losses and credits	4	2
Movement on uncertain tax provisions	(1,014)	(974)
Other	31	455
Adjustments in respect of prior years	289	(152)
Effect of change in tax rates on deferred tax	118	(72)
Total tax expense for the year	10,655	5,455
UK	8,507	3,492
Overseas	2,148	1,963
Total tax expense	10,655	5,455

A tax charge of £nil (2019: £17,072,000) has been excluded from profit after tax relating to discontinued operations.

In addition to the amount charged to the income statement, the following amounts relating to tax have been directly recognised in other comprehensive income:

	2020 £000	2019 £000
Current tax	-	-
Deferred tax (note 19)	10,834	(1,426)
	10,834	(1,426)

NOTE 10 Discontinued operations

There were no discontinued operations in the current financial year. Prior year discontinued operations relate to CQ-Roll Call, Inc and Capitol Advantage LLC which were sold to FiscalNote, Inc. on August 20th 2018. An analysis of the results and cashflows of discontinued operations is as follows:

	2020 £000	2019 £000
Revenue	-	15,238
Operating profit	-	1,944
Finance costs	-	(3,788)
Loss before tax	-	(1,844)
Tax	-	2,168
Profit after tax	-	324
Profit on sale of business	-	62,427
Attributable tax	-	(19,240)
Profit for the year from discontinued operations	-	43,511
Operating cashflows	-	102
Investing cashflows (net taxes paid)	-	46,951
Financing cashflows	-	(4,309)
Total cashflows	-	42,744

NOTE 11 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to take account of all dilutive potential ordinary shares and adjusting profit attributable, if applicable, to account for any tax consequences that might arise from conversion of those shares.

	2020 £000	2019 £000
Profit for the year from continuing operations	21,172	24,808
Profit for the year from discontinued operations	-	43,511
Profit for the year	21,172	68,319
Adjustment in respect of non-operating exceptional items		
- Profit on sale of business	-	(62,427)
- Attributable taxation	-	19,240
Normalised earnings	21,172	25,132

	000s	000s
Weighted average number of shares	19,874	19,920
Effect of dilutive share options (restricted share scheme units)	181	194
Weighted average number of shares for diluted earnings	20,055	20,114

NOTE 11 Earnings per share (continued)

Earnings per share	2020 Pence	2019 Pence
Basic	106.5	343.0
Diluted	105.6	339.7
Earnings per share from continuing operations		
Basic	106.5	124.5
Diluted	105.6	123.3
Earnings per share from discontinued operations		
Basic	-	218.4
Diluted	-	216.3
Normalised earnings per share (before profit on sale of businesses)		
Basic	106.5	126.2
Diluted	105.6	124.9

NOTE 12 Dividends

Cash dividends paid	2020 £000	2019 £000
Final dividend for previous year of 75.0p per share (2019: 104.0p per share)	14,912	20,737
Interim paid of 40.0p per share (2019: 45.0p per share)	7,949	8,972
	22,861	29,709

All shareholders other than holders of trust and treasury shares (see notes 31 and 32) receive the above dividend per share. Dividends amounting to £323,000 (2019: £329,000) in respect of the company's shares held by the ESOP (note 31) have been deducted in arriving at the aggregate of dividends paid.

Dividends proposed in respect of the year	2020 £000	2019 £000
Interim dividend paid of 40.0p per share (2019: 45.0p per share)	7,949	8,972
No final dividend proposed (2019: 75.0p per share)	-	14,912
	7,949	23,884

The directors are not proposing a final dividend in respect of the financial year ended March 31st 2020.

NOTE 13 Share-based payments

The Group's total charge recognised with respect to share-based payment transactions amounted to £1,466,000 (2019: £1,715,000). This includes £nil (2019: £119,000) relating to discontinued businesses.

The total carrying value of share-based payment transactions is £3,394,000 (2019: £4,228,000), analysed as:

	2020 £000	2019 £000
Current liabilities	2,852	3,189
Non-current liabilities	542	1,039
	3,394	4,228

The Group operates a restricted share scheme (RSS). This scheme is for key employees who have been awarded a right to acquire ordinary shares at a nominal price between one and six years after the date of the award. The Group has the discretion to pay out shares or cash on exercise. The vesting of restricted shares is dependent on continuing service over a one to four year period. The fair value of the shares granted under the RSS is determined using the share price at the date of grant. Participants are entitled to dividends during the vesting period and therefore the share price is not discounted.

	2020		2019	
Restricted share scheme	No. of options	Weighted average share price (£)	No. of options	Weighted average share price (£)
Outstanding at April 1st	194,250	28.55	202,750	31.28
Granted during the year	87,077	23.60	52,000	26.69
Forfeited during the year	(29,600)	(24.96)	(11,500)	(29.62)
Exercised during the year	(70,750)	(29.89)	(49,000)	(28.71)
Outstanding at March 31st	180,977	25.31	194,250	28.55
Exercisable at March 31st	57,250	26.97	60,000	29.35

The weighted average remaining contractual life for outstanding options at March 31st 2020 was 15 months (2019: 13 months).

NOTE 14 Property, plant and equipment

Cost	Leasehold buildings Long £000	Short £000	Plant and machinery £000	Equipment £000	Total £000
At April 1st 2018	5,792	10,011	929	30,551	47,283
Additions	-	257	-	1,049	1,306
Acquisition through business combination	-	-	-	23	23
Disposals	-	-	-	(63)	(63)
Disposal through business disposal	(6,111)	-	-	(3,331)	(9,442)
Transfer	(230)	230	-	-	-
Exchange differences	549	144	-	935	1,628
At March 31st 2019	-	10,642	929	29,164	40,735
Additions	-	129	-	874	1,003
Disposals	-	(77)	-	(162)	(239)
Exchange differences	-	141	-	340	481
At March 31st 2020	-	10,835	929	30,216	41,980

Accumulated depreciation	Leasehold buildings Long £000	Short £000	Plant and machinery £000	Equipment £000	Total £000
At April 1st 2018	3,750	3,358	929	27,238	35,275
Charge for the year	79	823	-	1,443	2,345
Acquisition through business combination	-	-	-	11	11
Disposals	-	-	-	(48)	(48)
Disposal through business disposal	(4,182)	-	-	(2,676)	(6,858)
Transfer	(3)	3	-	-	-
Exchange differences	356	114	-	264	734
At March 31st 2019	-	4,298	929	26,232	31,459
Charge for the year	-	852	-	1,304	2,156
Disposals	-	(77)	-	(162)	(239)
Exchange differences	-	112	-	329	441
At March 31st 2020	-	5,185	929	27,703	33,817

Carrying amounts					
At April 1st 2018	2,042	6,653	-	3,313	12,008
At March 31st 2019	-	6,344	-	2,932	9,276
At March 31st 2020	-	5,650	-	2,513	8,163

Depreciation expense of £131,000 (2019: £169,000) has been included in the income statement in cost of sales and £2,025,000 (2019: £2,018,000) in administrative costs. There was no discontinued businesses depreciation charge (2019: £169,000).

NOTE 15 Right-of-use assets

Cost	Leasehold buildings £000
At April 1st 2019	-
Right-of-use assets recognised	34,946
Exchange differences	550
At March 31st 2020	35,496

Accumulated depreciation	Leasehold buildings £000
At April 1st 2019	-
Charge for the year	8,723
Exchange differences	138
At March 31st 2020	8,861

Carrying amounts	
At April 1st 2019	-
At March 31st 2020	26,635

Depreciation expense of £200,000 (2019: £nil) has been included in the income statement in cost of sales and £8,523,000 (2019: £nil) in administrative costs.

The Group leases several assets, including buildings and equipment. The average lease term is 26 months.

The maturity analysis of lease liabilities is presented in note 33.

The Group's consolidated income statement includes the following amounts relating to leases:

Year ended 31 March	2020 £000
Depreciation expense on right-of-use assets	8,723
Interest expense on lease liabilities	999

The total cash outflow for leases in the year ended March 31st 2020 was £8,321,000.

NOTE 16 Intangible assets

Cost	Goodwill £000	Acquired technology & databases £000	Acquired customer relationships £000	Licences and software £000	Intangible assets in development £000	Total £000
At April 1st 2018	163,145	556	2,819	20,129	10,703	197,352
Additions	-	-	-	1,652	6,884	8,536
Acquisition through business combination	227	918	148	15	-	1,308
Disposal through business combination	(125,638)	-	(1,322)	(6,958)	(2,214)	(136,132)
Transfer	-	-	-	739	(739)	-
Exchange differences	12,060	-	159	97	106	12,422
At March 31st 2019	49,794	1,474	1,804	15,674	14,740	83,486
Additions	-	-	-	840	5,245	6,085
Exchange differences	490	-	36	23	13	562
At March 31st 2020	50,284	1,474	1,840	16,537	19,998	90,133

Accumulated amortisation	Goodwill £000	Acquired technology & databases £000	Acquired customer relationships £000	Licences and software £000	Intangible assets in development £000	Total £000
At April 1st 2018	36,317	223	863	12,020	-	49,423
Charge for the year	-	152	436	2,479	-	3,067
Impairment	-	-	-	902	263	1,165
Disposal through business disposal	(32,005)	-	(248)	(5,395)	-	(37,648)
Exchange differences	3,218	-	42	452	-	3,712
At March 31st 2019	7,530	375	1,093	10,458	263	19,719
Charge for the year	-	227	431	1,683	-	2,341
Impairment	22,729	-	-	-	12,178	34,907
Exchange differences	224	-	36	103	-	363
At March 31st 2020	30,483	602	1,560	12,244	12,441	57,330
Carrying amounts						
At April 1st 2018	126,828	333	1,956	8,109	10,703	147,929
At March 31st 2019	42,264	1,099	711	5,216	14,477	63,767
At March 31st 2020	19,801	872	280	4,293	7,557	32,803

Amortisation and impairment charges of £73,000 (2019: £78,000) have been included in the income statement in cost of sales and £37,175,000 (2019: £3,553,000) in administrative costs. The amortisation charge for discontinued businesses amounted to £nil (2019: £601,000).

Intangible assets in development and licenses and software are largely internally generated assets which include integration of purchased licenses and software.

NOTE 16 Intangible assets (continued)

Goodwill

The goodwill carrying value of £19,801,000 relates to acquisitions completed after January 1st 1998. Prior to January 1st 1998, all goodwill was written off to reserves on the date of acquisition. For acquisitions completed between January 1st 1998 and March 31st 2014, no value was ascribed to intangibles other than goodwill and goodwill on each acquisition was amortised over a period of up to 20 years. On adoption of IFRS on April 1st 2014, the Group chose not to restate the goodwill balance and at that date the balance was frozen (amortisation ceased) and the useful life of goodwill became indefinite. If goodwill had been restated then a significant value would have been ascribed to other intangible assets, which would be subject to amortisation, and the carrying value of goodwill would be significantly lower. For acquisitions completed after April 1st 2014, value has been ascribed to other intangible assets which are amortised.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU) that are expected to benefit from that acquisition. During the year, goodwill was tested for impairment in accordance with IAS 36 "Impairment of Assets". The methodology applied to the value in use calculations included:

- cashflow projections based on financial plans approved by management covering a five-year period;
- cashflows for the final year of the plan increased in line with growth expectations of the applicable businesses;
- pre-tax discount rates of 10.5%, 2.5% higher than the company's derived weighted average cost of capital (WACC) of 8.0%;
- long-term nominal growth of between 0% and 3%, depending on the maturity of the business.

Following the impairment review, there are impairment losses of £22,729,000 recognised as exceptional items in the income statement in respect of goodwill (see note 5). The impairment losses relate to EIU Canback (£8,739,000) within the EIU, and The Television Consultancy (£10,073,000) and Signal Noise (£3,917,000), both within the Economist businesses. These assets have been fully impaired. These exceptional goodwill impairment charges arise as strategic emphasis on these businesses is changing in response to falling market demand, key-client and management issues and the economic impact of the covid-19 pandemic.

Further disclosures in accordance with IAS 36 are provided where the Group holds an individual goodwill item relating to a CGU that is significant, which the Group considers to be 15% of the total net book value, in comparison with the Group's total carrying value of goodwill. The following CGUs fall within this definition of significant: EuroFinance Conferences and EIU Healthcare.

EuroFinance Conferences has a long-term growth rate of nil, a carrying value of £7,526,000 and a recoverable amount of £26,156,000, which equates to a surplus of £18,630,000. A discount rate of 36% would need to be applied for the recoverable amount to fall below the carrying value. EIU Healthcare has a long-term growth rate of 3%, a carrying value of £12,275,000 and a recoverable amount of £20,979,000, which equates to a surplus of £8,704,000. A discount rate of 16% would need to be applied for the recoverable amount to fall below the carrying value.

The cumulative goodwill written to the reserves by the Group is £17,943,000 (2019: £17,943,000).

Other intangible assets

Other intangibles include licenses, software developed internally, acquired customer relationships and acquired software and databases.

Acquired intangible assets are valued separately for each acquisition and the primary method of valuation is the discounted cashflow method, and they are amortised over their expected useful lives at the rates set out in the accounting policies in note 1 of these financial statements.

NOTE 16 Intangible assets (continued)

Following a review of the project to replace our core subscription management system in light of new requirements, new solutions in the market and our digital product strategy, a further £12,178,000 of software development expenditure incurred to date has been impaired.

NOTE 17 Investments

	2020 £000	2019 £000
At April 1st	34,336	100
Additions	-	32,562
Revaluation	(11,715)	2,525
Currency revaluations	1,835	(851)
At March 31st	24,456	34,336

Investments includes a preference shareholding equivalent to an overall 18.2% interest in FiscalNote, Inc. acquired as part of the sale of CQ-Roll Call, Inc. on August 20th 2018. FiscalNote, Inc. provides data-driven issues, management solutions and its registered office is 1201 Pennsylvania Avenue NW, Washington DC, 20004, United States. The investment is carried at fair value and the Group has elected to reflect changes in the value of the investment in other comprehensive income until the investment is sold, as the Group aims to manage volatility in its results due to temporary valuation movements wherever possible. The cumulative charge to other comprehensive income in respect of FiscalNote, Inc. is £7,192,000 (2019: £2,079,000 credit).

Investments also includes a 5% equity interest in Parable Ventures Limited, a start-up virtual-reality business. Its registered address is 64 New Cavendish Street, London, W1G 8TB, United Kingdom.

NOTE 18 Loan notes

	2020 £000	2019 £000
At April 1st	48,518	-
Loan note issues	-	46,008
Accrued interest	5,901	3,469
Currency revaluations	2,269	(959)
At March 31st	56,688	48,518

On August 20th 2018 the Group received loan notes with a fair value of $58,557,176 as part of the consideration for the sale of CQ-Roll Call, Inc. to FiscalNote, Inc. The note accumulates payment-in-kind (PIK) interest at 12.6% to February 2024, with the option of repayment prior to that date. The loan notes are carried at amortised cost plus accrued interest.

NOTE 19 Deferred tax

	2020 £000	2019 £000
Deferred tax assets	9,716	3,526
Deferred tax liabilities	(8,120)	(7,276)
	1,596	(3,750)

Substantially all of the deferred income tax assets are expected to be recovered after more than one year.

Deferred tax assets and liabilities may be offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. At March 31st 2020, the Group had unrecognised deferred tax assets of £59,000 (2019: £67,000) in respect of trading losses.

The recognition of the deferred tax assets is supported by management's forecasts of the future profitability of the relevant businesses.

The movement on the deferred tax account is as follows:

	2020 £000	2019 £000
At April 1st	(3,750)	(1,260)
Exchange differences	(315)	(600)
Charge to income statement	(5,055)	(8,635)
Disposal through business disposal	-	8,099
Credit/(charge) to other comprehensive income	10,834	(1,426)
Effect of change in tax rates	(118)	72
At March 31st	1,596	(3,750)

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax assets	Trading losses £000	Retirement benefit obligations £000	Other £000	Total £000
At April 1st 2018	94	4,427	2,538	7,059
Exchange differences	7	-	265	272
Disposal through business disposal	-	-	(894)	(894)
Charge to income statement	(2)	(467)	(1,534)	(2,003)
Charge to other comprehensive income	-	(980)	-	(980)
Effect of change in tax rates	-	49	23	72
At March 31st 2019	99	3,029	398	3,526
Exchange differences	-	-	363	363
(Charge)/credit to income statement	(9)	(7,224)	1,372	(5,861)
Credit to other comprehensive income	-	8,181	2,653	10,834
Other transfers	-	-	978	978
Effect of change in tax rates	-	-	(124)	(124)
At March 31st 2020	90	3,986	5,640	9,716

NOTE 19 Deferred tax (continued)

Other deferred tax assets include temporary differences on fair value equity investments, share-based payments, derivatives, IFRS 16 lease liability and other provisions. Temporary differences relating to accelerated capital allowances and intangible assets have been transferred to deferred tax liabilities. Temporary differences relating to fair value equity investments has been transferred from deferred tax liabilities to deferred tax assets. At March 31st 2020 the Group has recognised deferred tax assets of £1,917,000 (2019: £nil) in respect of fair value equity investments.

Deferred tax liabilities	Goodwill and gain on investments £000	Other £000	Total £000
At April 1st 2018	(8,250)	(69)	(8,319)
Exchange differences	(864)	(8)	(872)
Disposal through business disposal	8,993	-	8,993
(Charge)/credit to income statement	(6,693)	61	(6,632)
Charge to other comprehensive income	(446)	-	(446)
At March 31st 2019	(7,260)	(16)	(7,276)
Exchange differences	(626)	(52)	(678)
Credit/(charge) to income statement	1,163	(357)	806
Other transfers	446	(1,424)	(978)
Effect of change in tax rates	-	6	6
At March 31st 2020	(6,277)	(1,843)	(8,120)

Other deferred tax liabilities include temporary differences in respect of deferred income in the US, accelerated capital allowances, intangible assets and IFRS 16 Right of Use Lease Assets.

Changes to the UK main corporation tax rate from 17% (effective from April 1st 2020) to 19% (effective from April 1st 2020) were substantively enacted on 17th March 2020. The relevant UK deferred tax balances have been remeasured to the rate which is expected to apply to the period when the assets are realised and the liabilities are settled, based on the tax rates substantively enacted by the balance-sheet date.

No deferred tax liability is recognised on temporary differences of £5,982,000 (2019: £4,425,000) relating to the unremitted earnings of certain overseas subsidiaries, as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The temporary differences at March 31st 2020 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may result in a tax liability as a result of taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

NOTE 20 Inventories

	2020 £000	2019 £000
Raw materials	405	417
Work-in-progress	164	510
Finished goods	43	40
	612	967

No inventories are pledged as security. The cost of inventory recognised as an expense in the year is £8,508,000 (2019: £8,464,000).

NOTE 21 Trade and other receivables

Current	2020 £000	2019 £000
Trade receivables	30,592	33,531
Other receivables	4,050	4,145
Prepayments	14,556	14,109
Accrued income	8,591	8,866
	57,789	60,651

Trade receivables are stated net of provisions for bad and doubtful debts and trade sales returns. Accrued income represents contract assets which are unbilled amounts generally from marketing services and consulting revenue streams where revenue to be recognised over time has been recognised in excess of customer billings to date. The carrying value of the Group's trade and other receivables approximates its fair value.

The movements in the net expected credit losses are as follows:

	2020 £000	2019 £000
At April 1st	1,468	855
Income statement movements	2,771	1,659
Utilised	(1,049)	(944)
Disposal through business disposal	-	(111)
Exchange differences	(52)	9
At March 31st	3,138	1,468

The Group reviews its bad debt provisions at least twice a year following a detailed review of receivable balances and historical payment profiles. Management believes all the remaining receivable balances are fully recoverable. In light of the covid-19 pandemic and the uncertain impact on the Group's clients' ability to settle their debts, the provision for expected credit losses has increased where debts were significantly overdue beyond agreed payment terms.

NOTE 21 Trade and other receivables (continued)

The ageing of the Group's trade receivables is as follows:

	2020 £000	2019 £000
Within the due date	20,421	20,360
Past due less than a month	5,823	6,598
Past due more than a month but less than two months	3,570	3,709
Past due more than two months but less than three months	778	1,805
Past due more than three months	-	1,059
Total trade receivables	30,592	33,531

The concentration of credit risk is limited due to the customer base being large and unrelated.

NOTE 22 Cash and cash equivalents

Current	2020 £000	2019 £000
Cash at bank and in hand	10,757	9,207
Short-term bank deposits	13,263	8,453
	24,020	17,660

Short-term bank deposits are invested with banks and earn interest at the prevailing short-term deposit rates.

At the end of the year, the currency split of cash and cash equivalents was US dollar 44% (2019: 43%), sterling 37% (2019: 33%), euro 9% (2019: 10%) and other 10% (2019: 14%).

Cash and cash equivalents have fair values that approximate to their carrying value due to their short-term nature.

NOTE 23 Trade and other liabilities

Current	2020 £000	2019 £000
Trade payables	14,913	18,601
Social security and other taxes	3,480	1,569
Accruals	19,112	19,642
Liability for share-based payments	2,852	3,189
Deferred income	109,368	95,555
Other liabilities	4,084	3,244
	153,809	141,800
Non-current		
Liability for share-based payments	542	1,039
Deferred income	9,917	9,393
	10,459	10,432
Total	164,268	152,232

The carrying value of the Group's trade and other liabilities approximates fair value.

The deferred income balance comprises the unexpired portion of subscriptions for *The Economist* and the Economist Intelligence Unit products and services, and revenue billed in advance for future events, research and consultancy projects not yet delivered.

NOTE 24 Financial liabilities - borrowings

The Group's borrowings which are all non-current and all denominated in sterling are as follows:

Non-current	2020 £000	2019 £000
Bank loans - maturing between two and five years	110,176	111,391

More detail on the Group's accounting for financial instruments is included in the Group's accounting policies. The Group's approach to managing risks in relation to financial instruments is described in note 29.

The market values stated below are based on clean market prices at the year-end. The effective interest rates relate to the underlying debt instruments.

		2020		2019	
	Effective interest rate %	Carrying value £000	Market value £000	Carrying value £000	Market value £000
Bank loans	3.0	110,176	111,000	111,391	112,441

The Group has the following undrawn capacity on its committed borrowing facilities as at March 31st:

	2020 £000	2019 £000
Floating rate - expiring beyond one year	39,000	37,559

NOTE 25 Retirement benefit and other post-retirement obligations

A reconciliation of the net retirement benefit obligation reported in the balance sheet is shown in the following table:

	2020 £000	2019 £000
UK Group scheme	19,188	15,841
Post-retirement medical benefits	1,588	1,743
	20,776	17,584

The Group operates pension schemes for most of its employees throughout the world, which are funded by the Group. The main scheme for UK staff who joined before 2003 (the UK Group scheme) provided funded defined benefits. It was closed to new members on December 31st 2002 and closed to remaining employees on March 31st 2020. The scheme had a defined-contribution underpin and provided for those employees who joined before 2003, for the better of defined-benefit and defined-contribution benefits. Defined-contribution schemes are operated for UK and non-UK staff. In compliance with legislation the Group operates a defined-contribution plan, The Economist Group Pension Plan, into which relevant employees are automatically enrolled. The assets of each scheme are held in separate trustee-administered funds with independent qualified actuaries or other professionals acting as advisers. Actuarial valuations are undertaken at regular intervals. The Group provides an unapproved unfunded retirement benefit scheme (URBS) for certain former employees. The Group also has a post-retirement medical benefit plan (PRMB) which is unfunded but is accounted for and valued similarly to defined-benefit pension plans.

The most recent full actuarial valuation of the UK Group scheme was at January 1st 2019. This showed the market value of assets of the UK Group scheme to be £338,042,000. The actuarial valuation of pension liabilities was £388,542,000, leaving a deficit of £50,500,000. The actuarial method used for the valuation was the projected unit method. The foregoing liabilities represent the Scheme Specific Funding (SSF) Technical Provisions as agreed by the Group and the trustees. The SSF level was 87%. The January 2019 valuation was used as a basis for determining the ongoing company funding rate, effective January 1st 2019.

The Group agreed that the funding shortfall will be eliminated by April 30th 2025. Following the completion of the actuarial valuation, the Group has agreed to contribute £3,000,000 per annum until April 2025 and additional lump sums of £400,000 paid in 2019-20 and £1,666,667 per annum for the next three years. In the year ended March 31st 2020, the Group contributed £2,500,000 (2019: £3,600,000) towards the funding shortfall. Following the closure of the scheme to future accrual of benefits for active participants, there are no further regular contributions due to the scheme.

The main overseas schemes and one UK scheme are based on defined contributions; amounts totalling £443,000 were accrued (2019: £415,000 accrued) in respect of these schemes at the year-end.

The majority of the benefit payments are from trustee-administered funds; however, there are also a number of unfunded plans where the company meets the benefit payment obligation as it falls due. Plan assets held in the UK Group scheme are governed by local regulations and practice in the UK, as is the nature of the relationship between the Group and the trustees and their composition. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies jointly with the company and the board of trustees. The board of trustees must be composed of representatives of the company and plan participants in accordance with the plan's resolutions.

NOTE 25 Retirement benefit and other post-retirement obligations (continued)

UK Group scheme

The valuation of the UK Group scheme has been updated by independent actuaries to March 31st 2020. The major assumptions used to determine this valuation are as follows:

	2020 %	2019 %
RPI inflation	2.75	3.20
CPI inflation	1.90	2.00
Increase in pensionable salaries	n/a	3.20
Increase in pensions in payment	2.75	3.10
Increase in deferred pensions	1.90	2.60
Discount rate for scheme liabilities	2.40	2.55

The discount rate is derived from the corporate bond yield curve applied to the expected future cashflows from the scheme. During the year the Group and trustees of the UK Group Scheme agreed to base all future increases in pensions in payment from RPI to CPI inflation. This change was made on March 26th 2020. The CPI inflation assumption takes into account the UK Government's long-term CPI inflation target (expected from 2030 onwards), and expectations of CPI inflation before then.

As the UK Group Scheme is now closed to future accrual of active entitlement, there is no future increase in pensionable salaries.

The mortality assumptions used in the valuation of the scheme are summarised in the table below, and have been selected to reflect the characteristics and the experience of the membership of the plan. This has been done by using SAPS2 light tables with longevity projection based on CMI 2019 and the year in which the member was born, with a 1% per-year underpin to future improvements (2019: SAPS2 light tables, CMI 2018, year of birth, 1% underpin).

	2020 years	2019 years
Longevity at age 65 for current retirees		
- Men	87.6	87.5
- Women	88.6	88.5
Longevity at age 65 for future retirees, current age 45		
- Men	88.5	88.4
- Women	89.9	89.7

The assets of the UK Group scheme and the deficit are as follows:

	2020 £000	2019 £000
Equities	133,236	173,147
Government and corporate bonds	147,756	123,957
Property	34,534	50,234
Multi-asset credit fund	5,761	6,334
Other	9,221	2,379
Fair value of scheme assets	330,508	356,051
Present value of scheme liabilities	(321,329)	(371,892)
Scheme surplus/(deficit)	9,179	(15,841)
Asset ceiling adjustment (IAS 19)	(28,367)	-
Net defined benefit obligation	(19,188)	(15,841)

NOTE 25 Retirement benefit and other post-retirement obligations (continued)

The table below further disaggregates the UK Group scheme assets into additional categories and those assets which have a quoted market price in an active market and those that do not:

	2020		2019	
	Quoted market price £000	No quoted market price £000	Quoted market price £000	No quoted market price £000
UK equities	54,568	-	84,447	-
Non-UK equities	78,042	-	87,768	-
Private equity	-	626	-	932
UK corporate bonds	25,472	-	25,778	-
Index-linked securities	122,284	-	98,179	-
Multi-asset credit fund	5,761	-	6,334	-
Property	-	34,534	-	50,234
Other	8,918	303	2,037	342
	295,045	35,463	304,543	51,508

The liquidity profile of the UK Group scheme assets is as follows:

	2020 £000	2019 £000
Liquid - call less than 1 month	291,388	316,415
Less liquid - call 1-3 months	16,086	24,349
Liquid - call greater than 3 months	16,574	16,380

Invested assets include money-purchase AVCs and transferred-in benefits that are notionally held within assets but which are not included in balance-sheet assets or liabilities.

The assets do not include any of the Group's own financial instruments nor any property occupied by, or other assets used by, the Group. The actual return on scheme assets was a loss of £15,691,000 (2019: £23,244,000 return).

Fair value of scheme assets	2020 £000	2019 £000
At April 1st	356,051	339,808
Interest income	8,953	9,096
Return on scheme assets excluding interest income	(24,644)	14,148
Employee contributions	344	366
Employer contributions	4,468	5,654
Administration expenses	(350)	(324)
Payments from the scheme	(14,314)	(12,697)
At March 31st	330,508	356,051

NOTE 25 Retirement benefit and other post-retirement obligations (continued)

Present value of scheme liabilities	2020 £000	2019 £000
At April 1st	371,892	363,509
Current service cost	2,301	2,467
Past service credit	(36,457)	-
Interest expense	9,302	9,644
Gains from experience	(2,662)	(1,630)
(Gains)/losses from changes in financial assumptions	(9,077)	10,233
Employee contributions	344	366
Payments from the scheme - benefit payments	(14,314)	(12,697)
At March 31st	321,329	371,892

The weighted average duration of the defined-benefit obligation is 19 years (2019: 19 years).

Sensitivity analysis of scheme liabilities

The sensitivity of the present value of the scheme's liabilities to changes in the principal assumptions used is set out below:

	Change in assumption by %	Impact on scheme liabilities %
Inflation	0.5	8.5
Pensions in payment	0.5	6.0
Revaluation rate of deferred pensions	0.5	2.0
Discount rate	0.5	9.0

If the average expected age of death of pensioners lengthened by one year, the liabilities of the scheme would increase by 4% (2019: 4%).

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Post-retirement medical benefit scheme (PRMB)

The Group provides post-retirement medical benefits to certain former employees. At March 31st 2020, 36 retired and former employees (2019: 41) were eligible to receive benefits. The liability was remeasured at the year-end by a qualified independent actuary as follows:

Assumptions	2020 %	2019 %
Healthcare premium inflation	6.00	6.20
Discount rate for scheme liabilities	2.40	2.55

NOTE 25 Retirement benefit and other post-retirement obligations (continued)

Present value of scheme liabilities	2020 £000	2019 £000
At April 1st	1,743	2,113
Employer contributions	(125)	(200)
Interest expense	43	54
Gains from experience	(83)	(235)
Losses from changes in financial assumptions	1	44
Losses/(gains) from changes in demographic assumptions	9	(33)
At March 31st	1,588	1,743

Income statement

The amounts recognised in the income statement are as follows:

2020	UK Group scheme £000	URBS £000	PRMB £000	Defined contribution £000	Total £000
Current service cost	2,301	-	-	5,501	7,802
Past service credit	(36,227)	-	-	-	(36,227)
Administration expenses	350	-	-	-	350
Total operating (income)/expense	(33,576)	-	-	5,501	(28,075)
Interest on scheme assets	(8,953)	-	-	-	(8,953)
Interest on scheme liabilities	9,302	20	43	-	9,365
Net finance expense	349	20	43	-	412
Net income statement (credit)/charge	(33,227)	20	43	5,501	(27,663)

2019	UK Group scheme £000	URBS £000	PRMB £000	Defined contribution £000	Total £000
Current service cost	2,467	-	-	5,103	7,570
Administration expenses	324	-	-	-	324
Total operating expense	2,791	-	-	5,103	7,894
Interest on scheme assets	(9,096)	-	-	-	(9,096)
Interest on scheme liabilities	9,644	6	54	-	9,704
Net finance expense	548	6	54	-	608
Net income statement charge	3,339	6	54	5,103	8,502

NOTE 25 Retirement benefit and other post-retirement obligations (continued)

The exceptional past service credit of £36,227,000 relates to restructuring of the defined benefit pension scheme in March 2020. The restructuring included the closure of the scheme to future accrual for active entitlement and ceasing the link to future salary increases, the rebasing of deferred revaluations and pension increases from RPI to CPI inflation and an increase to the cap on which future inflationary increases apply to 5%.

Other comprehensive income

The following (losses)/gains have been recognised in other comprehensive income:

	2020 £000	2019 £000
UK Group scheme	(41,272)	5,545
Unfunded retirement benefit scheme	15	(3)
Post-retirement medical benefits	73	224
Total (losses)/gains recognised in year	(41,184)	5,766

Through the UK Group scheme the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The scheme holds growth assets, whose returns may not be well correlated with the movement of the liabilities. As such, the deficit in the scheme may increase as a result of asset volatility. To mitigate this risk, the trustees continually monitor the scheme's investment strategy and have a dynamic de-risking plan in force. This policy reduces the level of growth assets held as scheme funding improves (subject to a minimum switch every six months). The current target allocation is 40% risk-reducing assets and 60% growth assets. Since the finalisation of the last actuarial valuation, the trustees will be reviewing investment strategy to target self-sufficiency over time and further increase levels of risk-reducing assets.

Inflation risk

The majority of benefits are linked to CPI inflation, and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation).

Longevity risk

Increases in life expectancy will increase the period over which benefits are expected to be payable, which increases the value placed on the scheme's liabilities.

Changes in bond yields

A decrease in corporate bond yields will increase scheme liabilities, although this will be partially offset by an increase in the value of the scheme's bond asset holdings.

Salary risk

Following closure of the scheme to future accrual for active participation, there is no longer any salary risk.

NOTE 26 Provisions

	Contingent consideration £000
At April 1st 2019 and March 31st 2020	223

Analysis of provisions	2020 £000	2019 £000
Current	223	223
Non-current	-	-
	223	223

Provisions represent contingent consideration relating to the acquisition of data information intelligence GmbH in 2019 and is payable in calendar year 2020 if the business achieves profit targets. The amount provided reflects management's assessment of the most likely outcome. There is no movement in the year.

NOTE 27 Derivative financial instruments

			2020
Current contracts in a fair value hedge relationship	Gross notional amounts £000	Assets £000	Liabilities £000
Forward foreign US dollar exchange contracts	34,529	52	(1,184)
Non-current contracts in a fair value hedge relationship			
Interest rate cap	792	29	-
Total contracts in a fair value hedge relationship	35,321	81	(1,184)

			2019
Current contracts in a fair value hedge relationship	Gross notional amounts £000	Assets £000	Liabilities £000
Forward foreign US dollar exchange contracts	36,358	193	(588)
Non-current contracts in a fair value hedge relationship			
Interest rate cap	792	278	-
Total contracts in a fair value hedge relationship	37,150	471	(588)

NOTE 27 Derivative financial instruments (continued)

The carrying value of the above derivative financial instruments equals their fair value. Fair values are determined by using market data and established estimation techniques such as discounted cashflow and option valuation models.

The Group's portfolio of exchange contract derivatives includes foreign-exchange forwards and is diversified by maturity and counterparty. The Group has designated these forwards as hedges which reduces the risk of volatility in the income statement from movements in the US dollar. Counterparty exposure from all derivatives is managed, together with that from deposits and bank-account balances, within credit limits that reflect published credit ratings to ensure that there is no significant risk to any one counterparty.

At March 31st 2020, interest rate hedges were in place to cap the Group's cash flow exposure on variable interest rates on the first £75m of borrowings drawn down under revolving credit facilities at 2% until 2023.

No significant derivative transaction had a market value (positive or negative) at the balance-sheet date that exceeded 3% of the Group's consolidated total equity.

The Group has reviewed all of its material contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements, and has concluded that there are no material embedded derivatives.

NOTE 28 Classification of financial instruments

The accounting classification of each class of the Group's financial assets and financial liabilities, together with their carrying values and market values, is as follows:

								2020
		Fair value			Amortised cost			
NOTE		FVTPL £000	Fair value hedging instrument £000	FVOCI £000	Financial assets £000	Other financial liabilities £000	Total carrying value £000	Total market value £000
17	Investments in unlisted securities	-	-	24,456	-	-	24,456	24,456
22	Cash and cash equivalents	-	-	-	24,020	-	24,020	24,020
18	Loan notes	-	-	-	56,688	-	56,688	63,730
21	Trade receivables	-	-	-	30,592	-	30,592	30,592
27	Derivative financial instruments	-	29	-	-	-	29	29
	Total financial assets	-	29	24,456	111,300	-	135,785	142,827
23	Trade payables	-	-	-	-	(14,913)	(14,913)	(14,913)
26	Contingent consideration	-	-	-	-	(223)	(223)	(223)
24	Bank loans	-	-	-	-	(110,176)	(110,176)	(111,000)
33	Lease liabilities	-	-	-	-	(32,732)	(32,732)	(32,732)
27	Derivative financial instruments	-	(1,132)	-	-	-	(1,132)	(1,132)
	Total financial liabilities	-	(1,132)	-	-	(158,044)	(159,176)	(160,000)

NOTE 28 Classification of financial instruments (continued)

								2019
		Fair value			Amortised cost			
NOTE		FVTPL £000	Fair value hedging instrument £000	FVOCI £000	Financial assets £000	Other financial liabilities £000	Total carrying value £000	Total market value £000
17	Investments in unlisted securities	-	-	34,336	-	-	34,336	34,336
22	Cash and cash equivalents	-	-	-	17,660	-	17,660	17,660
18	Loan notes	-	-	-	48,518	-	48,518	59,960
21	Trade receivables	-	-	-	33,531	-	33,531	33,531
27	Derivative financial instruments	-	278	-	-	-	278	278
	Total financial assets	-	278	34,336	99,709	-	134,323	145,765
23	Trade payables	-	-	-	-	(18,601)	(18,601)	(18,601)
26	Contingent consideration	-	-	-	-	(223)	(223)	(223)
24	Bank loans	-	-	-	-	(111,391)	(111,391)	(112,441)
27	Derivative financial instruments	-	(395)	-	-	-	(395)	(395)
	Total financial liabilities	-	(395)	-	-	(130,215)	(130,610)	(131,660)

Transactions in derivative financial instruments are only undertaken to manage risks arising from underlying business activity, in accordance with the Group's treasury policy as described in note 29.

The Group designates certain qualifying financial instruments as hedges of the fair value of its US dollar cashflows and interest rate caps (cashflow hedges). Changes in the fair value of these derivative financial instruments (to the extent they are effective) are recorded in other comprehensive income, together with any change in the fair value of the hedged asset attributable to the hedged risk.

Until they were repaid in December 2018, the Group designated certain of its foreign-currency borrowings as hedges of its investments in foreign operations (net investment hedges). Movements in the fair value of these financial instruments (to the extent they were effective) were recognised in other comprehensive income.

None of the Group's financial assets or liabilities is designated at fair value through the income statement upon initial recognition.

The unsecured promissory note (loan note) of $58,557,176 was issued by FiscalNote, Inc. to the Group as part of the consideration received on the sale of CQ-Roll Call, Inc. on August 20th 2018. The note accumulates payment-in-kind interest to February 2024, with the option of repayment prior to that date.

More detail on the Group's accounting for financial instruments is included in the Group's accounting policies. The Group's approach to managing risks in relation to financial instruments is described in note 29.

NOTE 29 Financial risk management

The Group's approach to the management of financial risks together with sensitivity analysis of its financial instruments is set out below:

Treasury policy

The Group's treasury policies are directed to giving greater certainty of future revenues and costs and ensuring that the Group has adequate liquidity for working capital and debt capacity for funding acquisitions.

The Group holds financial instruments to finance its operations and to manage the interest rate and currency risks arising from its operations and its sources of finance. The Group finances its operations by a mixture of cashflows from operations, leases on its properties and longer-term facilities from banks. The Group borrows principally in sterling at floating rates of interest, using derivative financial instruments (derivatives), where appropriate, to generate the desired currency profile and interest rate basis. The derivatives used for this purpose are principally rate swaps, rate caps and collars, forward and option foreign-exchange contracts. The main risks arising from the Group's financial instruments are interest rate risk, liquidity and refinancing risk, counterparty risk and foreign currency risk. These risks are managed by the treasury committee under policies approved by the Board, which are summarised in this note. All the treasury policies remained unchanged throughout the year.

The audit committee receives regular reports on the Group's treasury activities, policies and procedures. The treasury department is not a profit centre and its activities are subject to regular review by the treasury committee.

Interest rate risk management

The Group's bank borrowings are in sterling, with the interest rate on these borrowings tied to LIBOR. The Group's exposure to interest rate fluctuations on its borrowings is managed by borrowing on a floating-rate basis and by hedging interest rate exposures where appropriate.

At March 31st 2020, there were hedges of interest rate exposures in place (see note 27). The fair value of the interest rate hedges at March 31st 2020 was £29,000 (2019: £278,000).

Liquidity and refinancing risk management

The maturities of contracted cashflows associated with the Group's financial liabilities are shown in the table below. This table has been drawn up based on the undiscounted contractual cashflows of the financial liabilities including both interest and principal cashflows. Any cashflows based on a floating rate are calculated using interest rates as set at the date of the last rate reset. The contractual maturity is based on the earliest date on which the Group may be required to settle. All derivative amounts are shown gross, although the Group net settles these amounts wherever possible.

Any amounts drawn under revolving credit facilities are assumed to mature at the maturity date of the relevant facility, with interest calculated as payable in each year up to and including the date of maturity of the facility.

NOTE 29 Financial risk management (continued)

				2020
	GBP	USD	Other	Total
Maturity analysis:	£000	£000	£000	£000
Not later than one year	20,433	(40,474)	(5,132)	(25,173)
Later than one year and not later than five years	(121,508)	(864)	(1,451)	(123,823)
Later than five years	(13,389)	-	-	(13,389)
	(114,464)	(41,338)	(6,583)	(162,385)
Analysed as:				
Derivative financial instruments - inflows	34,529	-	-	34,529
Derivative financial instruments - outflows	-	(35,661)	-	(35,661)
Contingent consideration	-	-	(223)	(223)
Trade payables	(10,202)	(2,275)	(2,436)	(14,913)
Lease liabilities	(25,406)	(3,402)	(3,924)	(32,732)
Bank loans and overdrafts	(113,385)	-	-	(113,385)
	(114,464)	(41,338)	(6,583)	(162,385)

				2019
	GBP	USD	Other	Total
Maturity analysis:	£000	£000	£000	£000
Not later than one year	25,911	(42,126)	(3,004)	(19,219)
Later than one year and not later than five years	(113,063)	-	-	(113,063)
Later than five years	-	-	-	-
	(87,152)	(42,126)	(3,004)	(132,282)
Analysed as:				
Derivative financial instruments - inflows	36,358	-	-	36,358
Derivative financial instruments - outflows	-	(36,753)	-	(36,753)
Contingent consideration	-	-	(223)	(223)
Trade payables	(10,447)	(5,373)	(2,781)	(18,601)
Bank loans and overdrafts	(113,063)	-	-	(113,063)
	(87,152)	(42,126)	(3,004)	(132,282)

The following table details the Group's remaining contractual maturity for its non-derivative financial assets. This table has been drawn up based on the undiscounted contractual maturities of the financial assets, including interest that will be earned on those assets, except where the Group anticipates that the cashflow will occur in a different period.

NOTE 29 Financial risk management (continued)

				2020
	GBP	USD	Other	Total
Maturity analysis:	£000	£000	£000	£000
Not later than one year	17,320	27,650	9,641	54,611
Later than one year and not later than five years	100	101,538	-	101,638
	17,420	129,188	9,641	156,249
Analysed as:				
Other financial assets	100	24,356	-	24,456
Cash and cash equivalents	9,038	10,567	4,415	24,020
Loan notes	-	77,181	-	77,181
Trade receivables	8,282	17,084	5,226	30,592
	17,420	129,188	9,641	156,249

				2019
	GBP	USD	Other	Total
Maturity analysis:	£000	£000	£000	£000
Not later than one year	15,409	28,182	7,600	51,191
Later than one year and not later than five years	100	107,466	-	107,566
	15,509	135,648	7,600	158,757
Analysed as:				
Other financial assets	100	34,236	-	34,336
Cash and cash equivalents	5,862	7,618	4,180	17,660
Loan notes	-	73,230	-	73,230
Trade receivables	9,547	20,564	3,420	33,531
	15,509	135,648	7,600	158,757

The Group's debt facilities require it to meet certain covenants based on interest cover, net debt and profits adjusted for certain non-cash items and the impact of foreign exchange. Breaching the covenants would result in the Group being in default of the facilities, potentially resulting in the facilities being withdrawn. Management regularly monitors the covenants and prepares detailed cashflow forecasts to ensure that sufficient headroom is available and that the covenants are not close or potentially close to breach. At March 31st 2020, the Group's net debt to EBITDA bank covenant measured before the impact of IFRS 16 was 2.2 times (2019: 2.2 times) before exceptional items.

The Group also maintains undrawn committed borrowing facilities. At March 31st 2020, the committed undrawn facilities amounted to £39,000,000 (2019: £37,559,000) and their weighted average maturity was 45 months (2019: 57 months).

Financial counterparty risk management

Counterparty credit limits, which take published credit ratings and other factors into account, are set to cover the Group's total aggregate exposure to a single financial institution. The limits applicable to published credit-ratings bands are approved by the treasury committee within guidelines approved by the Board. Exposures and limits applicable to each financial institution are reviewed regularly.

The Group also has counterparty risk with respect to trade and other receivables. The concentration of this risk is limited due to the Group's large and broad customer base. Trade receivable exposures are managed locally in the business units where they arise. Allowance is made for bad and doubtful debts based on management's assessment of the risk of non-payment, taking into account the ageing profile and circumstance.

NOTE 29 Financial risk management (continued)

Foreign currency risk management

The Group's principal foreign-exchange exposure is to the US dollar. The Group's continuing businesses generated approximately 58% of its revenues in US dollars, including approximately 34% of the revenues of its UK-based businesses, and approximately 44% of its operating profits are US dollar-denominated. The Group is therefore exposed to foreign-exchange risk on the US dollar incomes in its UK businesses, the translation of results of foreign subsidiaries and of loans to and from foreign operations within the Group where the denomination of the loan is not in the functional currency of the lender/borrower.

The carrying amounts of the Group's US dollar-denominated monetary assets and liabilities at March 31st are as follows:

	Assets		Liabilities	
	2020	2019	2020	2019
	£000	£000	£000	£000
US dollar	84,385	76,836	(6,043)	(5,666)

A series of US dollar contracts is put in place each month to sell forward surplus US dollars so as to hedge up to 80% of the company's UK-based US dollar cashflows for the coming 12 months. The value of these forward contracts is based on management's estimate of its future US dollar cashflows over a 12-month period. If management materially underestimates the company's future US dollar cashflows, this would lead to too few forward contracts being in place and the company being more exposed to swings in US dollar to sterling exchange rates. An overestimate of the company's US dollar-denominated cashflows would lead to associated costs in unwinding ineffective and excess forward contracts. Forward exchange contracts are gross settled at maturity. Subsidiaries normally do not hedge transactions in foreign currencies into the functional currency of their own operations. Each subsidiary is encouraged to invoice sales in its local functional currency where possible.

Cashflow hedges - maturing in less than one year	2020	2019
Average exchange rate	$1.29	$1.33
Foreign currency ($000)	44,434	48,260
Contract value (£000)	34,529	36,358
Fair value (£000)	(1,132)	(395)

As at March 31st 2020, the aggregate amount of unrealised losses under forward foreign-exchange contracts deferred in the fair value reserve relating to future income transactions is £1,132,000 (2019: unrealised losses of £395,000). It is anticipated that the transactions will take place over the next 12 months, at which stage the amount deferred in equity will be released to the income statement. Prior year losses of £395,000 were recycled from other comprehensive income into the income statement during the year (2019: £1,796,000 gains).

As at March 31st 2020, the fair value of interest-rate caps is £29,000 (2019: £278,000). The interest rate cap is in place until 2023.

There were no ineffective cashflow hedges in place at the year-end.

NOTE 29 Financial risk management (continued)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

Level 1 - the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

Level 2 - foreign-currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate caps are measured using dealer quotes. The fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cashflow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31st 2020 and the prior years, all the resulting fair value estimates have been included in level 2, apart from investments in unlisted securities and contingent consideration which are classified as level 3. Movements in level 3 fair value measurements are shown in notes 17 and 26.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes cash deposits (note 22), bank borrowings (note 24), lease liabilities (note 33) and equity attributable to equity shareholders comprising share capital, reserves and retained earnings as disclosed in the statement of changes in equity.

Other financial instruments not recorded at fair value

The directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair values. Such financial assets and liabilities include cash and cash equivalents, loans and trade receivables, trade payables and bank loans.

NOTE 29 Financial risk management (continued)

Financial instruments - sensitivity analysis

As at March 31st 2020, the sensitivity of the carrying value of the Group's financial instruments to fluctuations in interest rates and exchange rates is as follows:

	Carrying value £000	Impact of 1% increase in interest rates £000	Impact of 1% decrease in interest rates £000	Impact of 10% stronger US dollar £000	Impact of 10% weaker US dollar £000
Investments in unlisted securities	24,456	-	-	2,704	(2,212)
Cash and cash equivalents	24,020	-	-	1,174	(961)
Loan notes	56,688	-	-	6,299	(5,154)
Other net financial assets	15,679	-	-	1,645	(1,346)
Derivative financial instruments	(1,103)	-	-	(3,566)	3,566
Contingent consideration	(223)	-	-	-	-
Lease liabilities	(32,732)	-	-	(378)	309
Bank loans	(110,176)	-	-	-	-
	(23,391)	-	-	7,878	(5,798)

The table shows the sensitivities of fair values of each class of financial instruments to an isolated change in either interest or foreign-exchange rates. Other net financial assets comprise trade receivables less trade payables.

The sensitivities of derivative instruments are calculated using established estimation techniques such as discounted cashflows. A large proportion of the movements shown above would affect equity rather than the income statement, due to the location and functional currency of the entities in which they arise and the availability of net investment hedge treatments.

NOTE 30 Share capital

	No. of shares	Share capital £000
At March 31st 2020 and 2019	25,200,000	1,260

Issued, fully paid shares	March 31st 2020 and 2019 Number	£000
"A" special shares of 5p each	1,260,000	63
"B" special shares of 5p each	1,260,000	63
Ordinary shares of 5p each	22,680,000	1,134
Trust shares of 5p each	100	-
	25,200,100	1,260

The authorised share capital amounts to 40,000,100 and is unchanged in the year. The nominal value of authorised shared capital is £2,000,005.

A summary of the rights of each class of shares is included in the directors' report on page 25. The trust shares participate in a distribution of capital only to a limited extent and accordingly are not treated as equity share capital.

The company holds 5,040,000 of its own ordinary shares in treasury; these shares carry no rights.

NOTE 31 Employee Share Ownership Plan (ESOP)

	No. of shares	£000
At April 1st 2018	219,997	3,116
Purchase of ESOP shares	77,625	2,174
Sale of ESOP shares	(20,224)	(574)
At March 31st 2019	277,398	4,716
Purchase of ESOP shares	40,408	1,009
Sale of ESOP shares	(25,736)	(653)
At March 31st 2020	292,070	5,072

The nominal value of the ESOP shares, which have a par value of 5p each, amounted to £14,604 (2019: £13,870). The ESOP provides a limited market for ordinary shares of The Economist Newspaper Limited to be bought and sold. Employees of the Group can apply to buy shares from the ESOP twice a year at the latest indicative share valuation, and all other shareholders can offer to sell their shares to the ESOP. A subsidiary company, The Economist Group Trustee Company Limited, acts as trustee of the ESOP and handles all share transactions. The ESOP has not waived its entitlement to dividends on these shares. At March 31st 2020, 180,977 (2019: 194,250) of the shares are under option to employees and have been conditionally granted to them.

NOTE 32 Treasury shares

	No. of shares	£000
At March 31st 2020 and 2019	5,040,000	188,823

The treasury shares have a par value of 5p per share and their nominal value amounts to £252,000 (2019: £252,000). These shares do not attach any voting rights or rights to dividends. The shares represent 20% of called-up share capital (2019: 20%).

NOTE 33 Lease liabilities

Maturity Analysis:	2020 £000
Not later than one year	8,229
Later than one year and not later than five years	11,114
Later than five years	13,389
	32,732
Analysed as:	
Non-current	24,503
Current	8,229
	32,732

Following the adoption of IFRS 16, lease liabilities of £39,621,000 were recognised at April 1st 2019. The net decrease in lease liabilities during the year ended March 31st 2020 was £6,889,000 which includes foreign exchange losses on lease liabilities of £433,000.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

NOTE 34 Related party transactions

The Group has taken advantage of the exemption allowed under IAS 24 "Related Party Disclosures" not to disclose transactions and balances between Group companies that have been eliminated on consolidation.

John Elkann is a director of the company. His family has a controlling interest in Giovanni Agnelli BV which is the ultimate holding company for EXOR N.V.; EXOR N.V. owns 43.4% of the issued share capital of the company and is entitled to appoint 6 out of a total 13 places for directors on the company's Board. There were no material related party transactions with EXOR N.V. and its subsidiaries during the year.

The key management personnel are deemed to be members of the company's Board and the Group executive team (see pages 22-24). Key management compensation paid or payable, including the value of awards made under the restricted share scheme, is set out below:

	2020 £000	2019 £000
Salaries and short-term employment benefits	4,017	6,713
Retirement benefits	146	124
Share-based payment costs	1,312	1,198
	5,475	8,035
Of which:		
Executive directors	1,767	2,723
Non-executive directors	319	336
Other members of the executive team	3,389	4,976
	5,475	8,035

The directors who served during the year received dividends of £32,000 (2019: £194,000) in respect of shares held in the company.

NOTE 35 Events after the balance-sheet date

After six weeks of trading into the new financial year, the impact of the covid-19 pandemic on the business became apparent. In order to protect the long-term viability of the business a decision was made to restructure and reduce roles in the most affected parts of the business. On May 14th, the Group announced it would be reducing the size of Client Solutions and Events teams, integrating Signal Noise into the new Client Solutions business and closing The Television Consultancy. Strategic options for EIU Canback are also being considered, including the potential sale or closure of the business.

NOTE 36 Financial commitments

There are contingent Group liabilities that arise in the normal course of business in respect of legal claims, indemnities, warranties and guarantees in relation to former subsidiaries. None of these claims is expected to result in a material gain or loss to the Group.

NOTE 37 Acquisitions

Prior year acquisition of data information intelligence GmbH (dii)

On October 1st 2018, the Group acquired data information intelligence GmbH (dii), a German data information service company. The acquisition comprised 100% of the equity share capital of dii. The following table sets out the fair values of the identifiable assets and liabilities acquired by the Group:

	2019 £000
Property, plant and equipment	12
Intangible assets	1,081
Trade and other receivables	174
Cash and other cash equivalents	158
Trade and other liabilities	(84)
Current income tax liabilities	(10)
Net assets acquired at fair value	1,331
Goodwill	227
Total	1,558

Satisfied by:	
Cash	1,112
Working capital adjustment	223
Contingent consideration	223
Total consideration	1,558

The goodwill arising on this acquisition resulted from revenue and cost synergies and from assets and benefits that cannot be separately recognised.

Intangible assets acquired in 2019 represent:	£000	Useful economic life
Customer lists, contracts and relationships	148	3 years
Acquired technology and databases seven years	918	7 years

Cashflow on acquisitions	2019 £000
Cash - prior year acquisitions	(74)
Deferred payments for prior year acquisitions	(3,374)
Cash and cash equivalents acquired	158
Acquisition costs and other acquisition liabilities paid	(1,428)
Net cash outflow	(4,718)

NOTE 38 Prior year disposals

On August 20th 2018, the Group completed the sale of CQ-Roll Call, Inc and Capitol Advantage LLC to FiscalNote, Inc. The disposal gave rise to a profit on sale of £43,187,000 after tax, after deducting disposal costs and the net book value of assets and liabilities sold. The gain was recognised as an non-operating exceptional item within discontinued businesses in the income statement.

The net assets of the business at the date of disposal were as follows:

	2019 £000
Property, plant and equipment	2,584
Intangible assets	98,484
Trade and other receivables	7,703
Cash and cash equivalents	12
Deferred income tax liabilities	(8,099)
Trade and other liabilities	(6,004)
Deferred income	(12,959)
Net assets disposed	81,721
Directly attributable costs	3,552
Taxation (including £6,162,000 deferred tax)	19,240
Foreign exchange translation gains recycled from reserves	(5,432)
Profit on disposal	43,187
Total consideration	142,268

Satisfied by:	
Cash	63,698
12.6% PIK loan notes in FiscalNote, Inc. ($58,557,176)	46,008
Preference shares in FiscalNote, Inc. ($41,443,000)	32,562
Total consideration	142,268

Company balance sheet

NOTE	As at March 31st	2020 £000	2019 £000
5	Investments in subsidiaries	552,077	552,077
6	Intangible assets	9,976	18,703
7	Property, plant and equipment	7,133	8,065
8	Right-of-use assets	19,854	-
	Amounts due from subsidiaries	44,679	42,217
9	Deferred tax assets	3,951	1,476
17	Derivative financial instruments	29	278
	Non-current assets	**637,699**	**622,816**
	Amounts due from subsidiaries	100,773	98,457
10	Inventories	448	458
11	Trade and other receivables	17,756	21,602
	Current tax assets	2,087	2,432
12	Cash and cash equivalents	12,508	9,215
	Current assets	**133,572**	**132,164**
	Total assets	**771,271**	**754,980**
13	Trade and other liabilities	(5,237)	(5,265)
9	Deferred tax liabilities	(744)	-
14	Retirement benefit obligations	(16,409)	(13,864)
15	Lease liabilities	(21,957)	-
16	Borrowings	(110,176)	(111,391)
	Other liabilities	(209)	(4,374)
	Non-current liabilities	**(154,732)**	**(134,894)**
	Amounts due to subsidiaries	(221,762)	(205,857)
13	Trade and other liabilities	(63,829)	(59,952)
15	Lease liabilities	(3,091)	-
17	Derivative financial instruments	(1,132)	(395)
	Other liabilities	-	(608)
	Current liabilities	**(289,814)**	**(266,812)**
	Total liabilities	**(444,546)**	**(401,706)**
	Net assets	**326,725**	**353,274**
18	Share capital	1,260	1,260
19	ESOP shares	(5,072)	(4,716)
20	Treasury shares	(188,823)	(188,823)
	Translation reserve	(5,074)	(4,325)
	Retained earnings	524,434	549,878
	Total equity	**326,725**	**353,274**

The profit for the year is £23,989,000 (2019: £72,848,000).

These financial statements were approved by the board of directors and authorised for issue on June 16th 2020.
They were signed on its behalf by:

Paul Deighton
Lara Boro
Directors

The Economist Newspaper Limited registered number 00236383

Company statement of changes in equity

Year ended March 31st 2020

NOTE		Share capital £000	ESOP shares £000	Treasury shares £000	Translation reserve £000	Retained earnings £000	Total equity £000
		Equity attributable to equity holders of the company					
	At April 1st 2019	**1,260**	**(4,716)**	**(188,823)**	**(4,325)**	**549,878**	**353,274**
	Impact of change in accounting policy	-	-	-	-	3	3
	Profit for the year	-	-	-	-	23,989	23,989
	Other comprehensive expense	-	-	-	(749)	(26,575)	(27,324)
	Total comprehensive expense	-	-	-	(749)	(2,583)	(3,332)
19	Net purchase of own shares	-	(356)	-	-	-	(356)
	Dividends	-	-	-	-	(22,861)	(22,861)
	At March 31st 2020	**1,260**	**(5,072)**	**(188,823)**	**(5,074)**	**524,434**	**326,725**

Year ended March 31st 2019

NOTE		Share capital £000	ESOP shares £000	Treasury shares £000	Translation reserve £000	Retained earnings £000	Total equity £000
		Equity attributable to equity holders of the company					
	At April 1st 2018	**1,260**	**(3,116)**	**(188,823)**	**(2,244)**	**503,345**	**310,422**
	Profit for the year	-	-	-	-	72,848	72,848
	Other comprehensive income	-	-	-	(2,081)	3,394	1,313
	Total comprehensive income	-	-	-	(2,081)	76,242	74,161
19	Net purchase of own shares	-	(1,600)	-	-	-	(1,600)
	Dividends	-	-	-	-	(29,709)	(29,709)
	At March 31st 2019	**1,260**	**(4,716)**	**(188,823)**	**(4,325)**	**549,878**	**353,274**

Notes to the company financial statements

NOTE 1 Accounting policies

The financial statements of The Economist Newspaper Limited (the company) are prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) as issued by the Financial Reporting Council and with those parts of the Companies Act 2006 applicable to companies reporting under FRS 101.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cashflow statement, standards not yet effective and related party transactions.

As permitted by Section 408 of the Companies Act 2006, the company has elected not to present its own income statement for the financial year.

The financial statements are prepared on a going-concern basis under the historical cost convention.

The accounting policies applied in the preparation of these company financial statements have been consistently applied to the periods presented unless otherwise stated and are the same as those set out in note 1 to the consolidated financial statements, with the addition of the following:

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

NOTE 2 Auditor's remuneration

During the year the company obtained the following services from the company's auditor:	2020 £000	2019 £000
The audit of the company's financial statements	271	232
Tax compliance services	238	79
Total non-audit services	238	79
Total company auditor's remuneration	509	311

NOTE 3 Employee information

The year-end and monthly average number of employees, including executive directors, was as follows:

	2020		2019	
	Monthly average	Year-end	Monthly average	Year-end
Total employees	536	550	485	477

The details of directors' emoluments are shown on table 2, page 30, within the directors' report on remuneration.

NOTE 4 Share-based payments

The company's total charge recognised with respect to share-based payment transactions comprised:

	2020 £000	2019 £000
Restricted share scheme (cash or share settled)	1,102	1,451

The total carrying value of share-based payment transactions	2020 £000	2019 £000
Restricted share scheme (cash or share settled)	2,741	3,270

Analysed as:	2020 £000	2019 £000
Current liabilities	2,217	2,344
Non-current liabilities	524	926
	2,741	3,270

Details of share-based payment incentive schemes operated by the company and inputs to the valuation models are shown in note 13 of the consolidated financial statements.

	2020		2019	
Restricted share scheme	No. of options	Weighted average share price (£)	No. of options	Weighted average share price (£)
Outstanding at April 1st	157,500	28.35	149,000	31.21
Granted during the year	81,577	23.58	49,000	26.69
Forfeited during the year	(26,600)	(25.08)	(9,500)	(29.60)
Exercised during the year	(56,000)	(29.58)	(31,000)	(26.41)
Outstanding at March 31st	156,477	24.97	157,500	28.35
Exercisable at March 31st	40,000	26.55	45,250	29.20

The weighted average remaining contractual life for outstanding options at March 31st 2020 was 16 months (2019: 14 months).

NOTE 5 Investments in subsidiaries

	2020 £000	2019 £000
At April 1st and March 31st	552,077	552,077

The directors believe that the carrying value of the investments is supported by their underlying net assets.

NOTE 6 Intangible assets

Cost	Licences and software £000	Intangible assets in development £000	Total £000
At April 1st 2018	11,817	9,337	21,154
Additions	1,279	5,891	7,170
Transfer	565	(565)	-
At March 31st 2019	13,661	14,663	28,324
Additions	746	4,059	4,805
At March 31st 2020	14,407	18,722	33,129

Amortisation	Licences and software £000	Intangible assets in development £000	Total £000
At April 1st 2018	6,808	-	6,808
Charge for the year	1,648	-	1,648
Impairment	902	263	1,165
At March 31st 2019	9,358	263	9,621
Charge for the year	1,354	-	1,354
Impairment	-	12,178	12,178
At March 31st 2020	10,712	12,441	23,153
Carrying amounts			
At April 1st 2018	5,009	9,337	14,346
At March 31st 2019	4,303	14,400	18,703
At March 31st 2020	3,695	6,281	9,976

Following a review of the project to replace our core subscription-management system in light of new requirements, new solutions in the market and our digital product strategy, £12,178,000 of software development expenditure incurred to date has been impaired.

NOTE 7 Property, plant and equipment

Cost	Leasehold buildings: short £000	Plant and machinery £000	Equipment £000	Total £000
At April 1st 2018	7,172	927	20,290	28,389
Additions	248	-	651	899
At March 31st 2019	7,420	927	20,941	29,288
Additions	99	-	393	492
At March 31st 2020	7,519	927	21,334	29,780

Accumulated depreciation	Leasehold buildings: short £000	Plant and machinery £000	Equipment £000	Total £000
At April 1st 2018	1,203	927	17,593	19,723
Charge for the year	500	-	1,000	1,500
At March 31st 2019	1,703	927	18,593	21,223
Charge for the year	538	-	886	1,424
At March 31st 2020	2,241	927	19,479	22,647
Carrying amounts				
At April 1st 2018	5,969	-	2,697	8,666
March 31st 2019	5,717	-	2,348	8,065
At March 31st 2020	5,278	-	1,855	7,133

NOTE 8 Right-of-use assets

Cost	Leasehold buildings £000
At April 1st 2019	-
Right-of-use assets recognised	22,571
At March 31st	22,571

Accumulated depreciation	Leasehold buildings £000
At April 1st 2019	-
Charge for the year	2,717
At March 31st	2,717

Carrying amounts	
At April 1st 2019	-
At March 31st 2020	19,854

Depreciation expense of £nil (2019: £nil) has been included in the income statement in cost of sales and £2,717,000 (2019: £nil) in administrative costs.

The company leases several assets including buildings and IT equipment. The average lease term is 33 months.

The maturity analysis of lease liabilities is presented in note 15.

NOTE 9 Deferred tax

	2020 £000	2019 £000
Deferred tax assets	3,951	1,476
Deferred tax liabilities	(744)	-
	3,207	1,476

Substantially all of the deferred tax assets are expected to be recovered after more than one year.

Deferred tax assets and liabilities may be offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The recognition of the deferred tax assets is supported by management's forecasts of the future profitability of the relevant businesses.

The movement on the deferred tax account is as follows:

	2020 £000	2019 £000
At April 1st	1,476	3,581
Charge to the income statement	(4,887)	(1,385)
Credit/(charge) to other comprehensive income	6,751	(792)
Effect of change in tax rates	(133)	72
At March 31st	3,207	1,476

The movement in deferred tax assets during the year is as follows:

Deferred tax assets	Retirement benefit obligations £000	Other £000	Total £000
At April 1st 2018	3,543	38	3,581
Charge to income statement	(396)	(989)	(1,385)
Charge to other comprehensive income	(792)	-	(792)
Effect of change in tax rates	42	30	72
At March 31st 2019	2,397	(921)	1,476
(Charge)/credit to income statement	(5,778)	116	(5,662)
Credit to other comprehensive income	6,542	209	6,751
Other transfers	-	1,332	1,332
Effect of change in tax rates	(3)	57	54
At March 31st 2020	3,158	793	3,951

Other deferred tax assets include temporary differences on share-based payments, derivatives and other provisions. Temporary differences relating to accelerated capital allowances and intangible assets have been transferred to deferred tax liabilities.

NOTE 9 Deferred tax (continued)

Deferred tax liabilities	Capital allowances and intangibles £000	Total £000
At April 1st 2018	-	-
Charge to the income statement	-	-
Effect of change in tax rates	-	-
At March 31st 2019	-	-
Credit to income statement	775	775
Other transfers	(1,332)	(1,332)
Effect of change in tax rates	(187)	(187)
At March 31st 2020	(744)	(744)

Changes to the UK main corporation tax rate from 17% (effective from April 1st 2020) to 19% (effective from April 1st 2020) were substantively enacted on March 17th 2020. The relevant UK deferred tax balances have been remeasured to the rate which is expected to apply to the period when the assets are realised and the liabilities are settled, based on the tax rates substantively enacted by the balance-sheet date.

NOTE 10 Inventories

	2020 £000	2019 £000
Raw materials	405	418
Finished goods	43	40
	448	458

No inventories are pledged as security.

NOTE 11 Trade and other receivables

Current	2020 £000	2019 £000
Trade receivables	8,585	13,111
Other receivables	1,446	2,199
Prepayments	6,343	4,912
Accrued income	1,382	1,380
	17,756	21,602

Trade receivables are stated at fair value, net of expected credit losses and anticipated future sales returns. The movements on the provision for expected credit losses are as follows:

	2020 £000	2019 £000
At April 1st	1,013	421
Income statement movements	1,250	415
(Released)/utilised	(408)	177
At March 31st	1,855	1,013

NOTE 11 Trade and other receivables (continued)

The ageing of the company's trade receivables which are not impaired is as follows:	2020 £000	2019 £000
Within the due date	5,962	7,250
Past due less than a month	1,659	3,121
Past due more than a month but less than two months	964	1,504
Past due more than two months but less than three months	-	622
Past due more than three months	-	614
Total trade receivables	8,585	13,111

NOTE 12 Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	3,084	1,291
Short-term bank deposits	9,424	7,924
	12,508	9,215

Short-term bank deposits are invested with banks and earn interest at the prevailing short-term deposit rates.

NOTE 13 Trade and other liabilities

Current	2020 £000	2019 £000
Trade payables	10,177	12,018
Social security and other taxes	2,137	2,117
Accruals	11,787	11,651
Liability for share-based payments	2,217	2,344
Deferred income	35,137	30,043
Other liabilities	2,374	1,779
	63,829	59,952
Non-current		
Liability for share-based payments	524	926
Deferred income	4,713	4,339
	5,237	5,265
Total	69,066	65,217

The carrying value of the Group's trade and other liabilities approximates fair value.

The deferred income balance comprises the unexpired portion of subscriptions for *The Economist* and revenue billed in advance for advertising not yet delivered.

NOTE 14 Retirement benefit and other post-retirement obligations

A reconciliation of the net retirement benefit obligation reported in the balance sheet is shown in the following table:

	2020 £000	2019 £000
UK Group scheme	15,351	12,674
Post-retirement medical benefits	1,058	1,190
	16,409	13,864

The company is a member of The Economist Group Pension Scheme (UK Group Scheme), which provided funded defined benefits. Details about the assets and liabilities of the scheme, the major assumptions used by the actuaries to value the deficit, the funding of the deficit in the scheme and the risks the company is exposed to through the scheme are included in note 25 to the consolidated financial statements. The company accounts for its share of the underlying assets and liabilities of the scheme. The company's share of the total scheme deficit was assessed at 80% by an independent actuary. The calculation of the liability for the company is based on membership records of retirees, deferred and active members.

The company also operates a defined-contribution scheme.

The company provides post-retirement medical benefits to certain former employees. At March 31st 2020, 24 retired and former employees (2019: 28) were eligible to receive benefits. The movement in the liability was as follows:

Present value of scheme liabilities	2020 £000	2019 £000
At April 1st	1,190	1,409
Employer contributions	(84)	(137)
Interest expense	29	37
Net gains from experience and change in financial assumptions	(77)	(119)
At March 31st	1,058	1,190

Further information on the assumptions used to calculate the liability are shown in note 25 to the consolidated financial statements.

NOTE 15 Lease liabilities

Maturity Analysis:	2020 £000
Not later than one year	3,091
Later than one year and not later than five years	8,568
Later than five years	13,389
	25,048
Analysed as:	
Non-current	21,957
Current	3,091
	25,048

Following the adoption of IFRS 16, lease liabilities of £27,408,000 were recognised at April 1st 2019. The net decrease in lease liabilities during the year ended March 31st 2020 was £2,360,000.

NOTE 16 Borrowings

Details of the Group's borrowings, which are also those of the company, can be found in note 24 to the consolidated financial statements.

NOTE 17 Derivative financial instruments

Details of the Group's derivative financial instruments, which are also those of the company, can be found in note 27 to the consolidated financial statements.

NOTE 18 Share capital

Details of the company's share capital can be found in note 30 to the consolidated financial statements.

NOTE 19 Employee Share Ownership Plan (ESOP)

Details of the ESOP are presented in note 31 to the consolidated financial statements.

NOTE 20 Treasury shares

Note 32 to the consolidated financial statements provides information on the company's treasury shares.

NOTE 21 Related party transactions

Subsidiaries

The company transacts and has outstanding balances with its subsidiaries. Amounts due from subsidiaries and amounts due to subsidiaries are disclosed on the face of the company balance sheet.

Shareholders

John Elkann is a director of the company. His family has a controlling interest in Giovanni Agnelli BV which is the ultimate holding company for EXOR N.V.; EXOR N.V. owns 43.4% of the issued share capital of the company and is entitled to appoint 6 out of a total 13 places for directors on the company's Board. There were no material related party transactions with EXOR N.V. and its subsidiaries during the year.

NOTE 22 Events after the balance-sheet date

Note 35 to the consolidated financial statements provides information on both the Group's and the company's events after the balance-sheet date.

NOTE 23 Group companies

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries, the country of incorporation and the effective percentage of equity owned included in these financial statements at March 31st 2020 are disclosed below. The shares in these companies are included in the consolidation in the Group's financial statements using the equity method of accounting. Principal Group companies are identified in bold.

Company	Proportion held	Principal activity and operation	Country of incorporation
Bazian Limited	100%	Healthcare consulting	United Kingdom
Clearstate (Pte.) Limited[1]	**100%**	**Healthcare consulting**	**Singapore**
data information intelligence GmbH[2]	100%	Information services	Germany
Economist (Shanghai) Management Consulting Company Limited[3] †	100%	Publishing, events and information services	China
Economist Digital Services Limited	100%	Digital service provider	United Kingdom
EuroFinance Conferences Limited	**100%**	**Events and training**	**United Kingdom**
Ryder Street Properties (Management) Limited	100%	Dormant	United Kingdom
Ryder Street Properties Limited	100%	Dormant	United Kingdom
Signal & Noise Limited	100%	Data design agency	United Kingdom
TEG Delaware LLC[4]	100%	Dormant	US
TEG India Private Limited[5]	100%	Events and media services	India
TEG Massachusetts, Corporation[4]	100%	Dormant	US
TEG New Jersey, LLC[4]	100%	Dormant	US
The Digital News Agency Limited	100%	Dormant	United Kingdom
The Economist Books Limited	100%	Dormant	United Kingdom
The Economist Editorial (Overseas) Company Limited	100%	Representative agent	United Kingdom
The Economist Educational Foundation*	100%	Charity	United Kingdom
The Economist Group (Asia/Pacific) Limited[6]	**100%**	**Events and information services**	**Hong Kong**
The Economist Group (Brazil Holdings) Limited	100%	Investment holding company	United Kingdom
The Economist Group (Investments) Limited	100%	Investment holding company	United Kingdom
The Economist Group (Switzerland) SA[7]	100%	Media services	Switzerland
The Economist Group (US Holdings) Limited	100%	Dormant	United Kingdom
The Economist Group do Brasil Serviços de informação sobre Negócios Ltda[8] †	100%	Business information	Brazil
The Economist Group France SARL[9]	100%	Media services	France
The Economist Group GmbH[10]	100%	Investment holding company	Austria
The Economist Group Limited	100%	Investment holding company	United Kingdom
The Economist Group Operations Limited	100%	Investment holding company	United Kingdom
The Economist Group (Services) Limited	100%	Dormant	United Kingdom
The Economist Group Singapore Pte Limited[1]	100%	Investment holding company	Singapore
The Economist Group Trustee Company Limited	100%	Trustee services	United Kingdom
The Economist Intelligence Unit Canback Inc[4]	100%	Consulting services	US
The Economist Intelligence Unit Canback SA Proprietary Limited[11] †	100%	Consulting services	South Africa
The Economist Intelligence Unit Limited	**100%**	**Information services and events**	**United Kingdom**
The Economist Intelligence Unit, NA, Incorporated[4]	**100%**	**Events and information services**	**US**

NOTE 23 Group companies (continued)

The Economist Newspaper (Asia/Pacific) Limited[6]	100%	Dormant	Hong Kong
The Economist Newspaper Group Incorporated[4]	100%	Publisher and management services	US
The Economist Newspaper (Holdings) Limited*	100%	Investment holding company	United Kingdom
The Economist Newspaper, NA, Incorporated[4]	**100%**	**Media services**	**US**
The Economist Overseas (Holdings) Limited	100%	Investment holding company	United Kingdom
The Economist Publications Limited	100%	Dormant	United Kingdom
The Television Consultancy Limited	**100%**	**Marketing services**	**United Kingdom**
TVC Group Limited	100%	Investment holding company	United Kingdom
TVC Public Relations Limited	100%	Dormant	United Kingdom

Unless noted, the registered office is The Adelphi, 1-11 John Adam Street, London WC2N 6HT.

All companies are indirectly owned by The Economist Newspaper Limited except for those indicated *, which are directly owned.
† Year-end December 31st

1. 8 Cross Street, #23-01 Manulife Tower, Singapore 048424
2. Schwagrichenstrasse 8, 04107 Leipzig, Germany
3. Rm 2508B, 1909-1910 Rui Jin Building, No. 205 South Mao Ming Road, Huangpu District, Shanghai, China 200020
4. 750 Third Avenue, New York, NY 10017, USA
5. 17, Subhash Marg, Darya Ganj, New Delhi 110002, India
6. 1301, 12 Taikoo Wan Road, Taikoo Shing, Hong Kong
7. Rue de la Rôtisserie 11-1204 Geneva, Switzerland
8. Rua Joaquim Floriano 1052. cj. 81, CEP 04534-004, São Paulo, -SP, Brazil
9. 10, rue du Colisée, 75008 Paris, France
10. Gonzagagasse 17, 1010 Wien, Austria
11. Inanda Greens Building 8, 54 Wierda Road, West Wierda Valley, Sandton, Gauteng, 2196, South Africa

For the year ended March 31st 2020, the following subsidiary undertakings of the Group were exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Companies Act 2006:

Company	Principal activity and operation	Company registration number
Ryder Street Properties (Management) Limited	Dormant	01985839
The Digital News Agency Limited	Dormant	06451318
The Economist Books Limited	Dormant	01775942
The Economist Group (Brazil Holdings) Limited	Dormant	09164810
The Economist Group Trustee Company Limited	Dormant	01775932
The Economist Publications Limited	Dormant	01775671
The Economist Group (US Holdings) Limited	Dormant	06771057
TVC Public Relations Limited	Dormant	05587380

Notice of annual general meeting

Notice is hereby given that the annual general meeting of The Economist Newspaper Limited will be held at The Adelphi, 1-11 John Adam Street, London WC2N 6HT on Tuesday July 14th 2020 at 12.15pm, for the purposes set out below.

1. To receive the accounts and the reports of the directors and the auditors for the year ended March 31st 2020.
2. To sanction, in accordance with Article 118(B) of the Company's Articles of Association, borrowings by the Company and/ or any of its subsidiary companies in excess of the limit specified in that Article, but not exceeding £175 million, such sanction to expire on March 31st 2022.
3. To reappoint Deloitte LLP as the company's auditors to hold office until the conclusion of the next general meeting at which accounts are laid before the company.
4. To authorise the directors to fix the remuneration of the auditors.

By order of the Board
Oscar Grut
Secretary

Registered Office
The Adelphi
1-11 John Adam Street
London
WC2N 6HT

June 16th 2020

A member entitled to vote at this meeting may appoint a proxy to attend and vote in his place. As more fully described in the chairman's letter enclosed with this notice of meeting, in accordance with the Corporate Insolvency and Governance Act 2020 and in light of the current covid-19 rules implemented by the UK Government, proxies (other than the chairman of the meeting) will not be permitted to attend the AGM. As a result, if a member wishes to appoint a proxy, they are strongly advised to appoint the chairman of the AGM as their proxy.

A form of proxy is enclosed. To be valid, it must be submitted in accordance with the instructions printed on the form so as to be received by the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 48 hours before the meeting or, if the meeting is adjourned, no later than 48 hours before the adjourned meeting. Proxy appointments and voting instructions can be submitted:

- **electronically,** through www.investorcentre.co.uk/eproxy; or
- **in hard copy,** by posting the duly completed and signed form proxy to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY.

As you will not be able to attend the AGM in person, please submit your form of proxy electronically or in hard copy as soon as possible.