The Economist Group

Annual report 2016

Independent since 1843

ANNUAL REPORT

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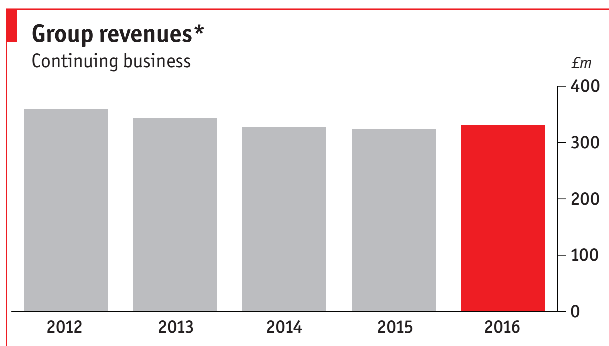
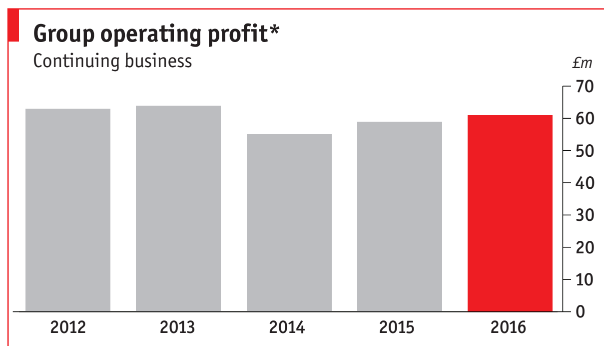
Five-year summary

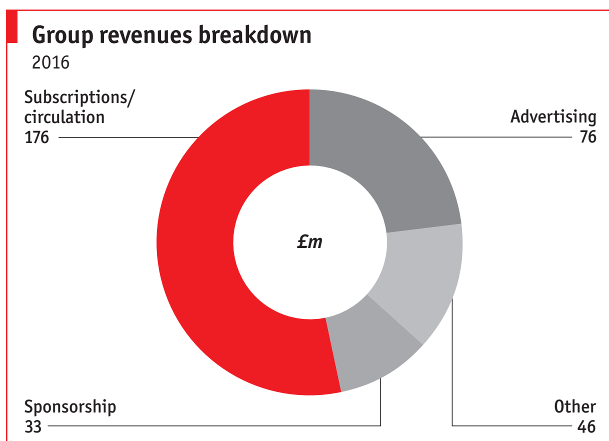
	IFRS		UK GAAP		
	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Income statement					
Revenue - continuing business	331	324	328	343	359
Operating profit - continuing business	61	59	55	64	63
Profit before tax and exceptional items	59	58	57	64	65
Profit on sale of the Economist Complex	110	-	-	-	-
Profit after taxation	151	45	44	49	47
Balance sheet					
Non-current assets	146	156	133	149	138
Net borrowings	(97)	(17)	(15)	(28)	(14)
Deferred income	(105)	(110)	(100)	(108)	(108)
Other assets and liabilities (net)	(21)	(53)	(23)	(24)	(21)
Net liabilities	(77)	(24)	(5)	(11)	(5)
Ratios					
Operating profit to revenue	18.3%	18.3%	16.8%	18.6%	17.7%
Basic earnings per share	634.3p	181.2p	175.8p	194.4p	188.7p
Basic earnings per share (continuing businesses)	182.6p	168.1p	161.1p	179.7p	173.8p
Normalised earnings per share (excluding non-operating exceptional items)	198.3p	181.2p	174.6p	194.4p	188.7p
Dividends and share price					
Final and interim dividend proposed per share	183.4p	144.9p	137.0p	128.9p	120.5p
Special dividend per share	-	23.8p	31.7p	40.0p	40.0p
Total dividend proposed per share	183.4p	168.7p	168.7p	168.9p	160.5p
Total dividend per share paid in the year	152.8p	163.5p	163.4p	163.2p	156.0p
Times covered (excluding non-operating exceptional items)	1.1	1.1	1.0	1.2	1.2
Indicative share value	£33.00	£29.00	£27.00	£26.00	£25.00
Dividend yield	5.6%	5.8%	6.2%	6.5%	6.4%

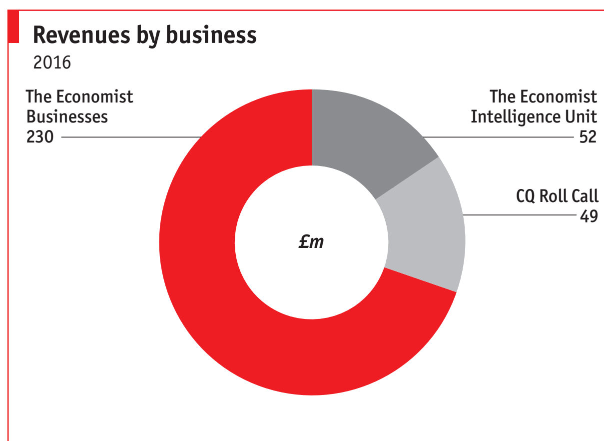
Historic information for the years 2012-14 has not been restated to IFRS. The IFRS conversion process involved restatement of the March 2014 and 2015 balance sheets, and the income statement for 2015. The main adjustments to convert from UK GAAP to IFRS are explained in note 35 to the consolidated financial statements.

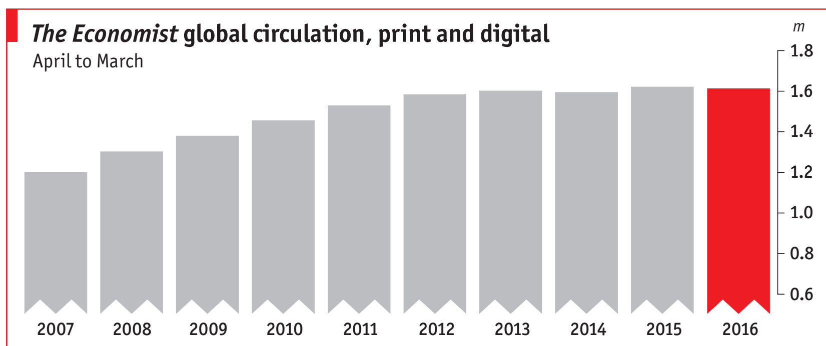
Group overview

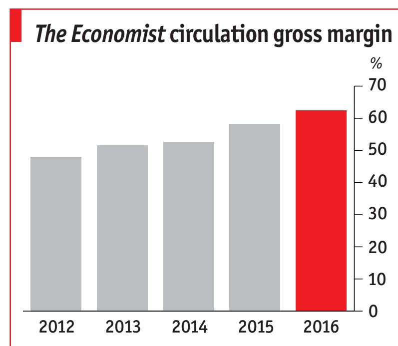


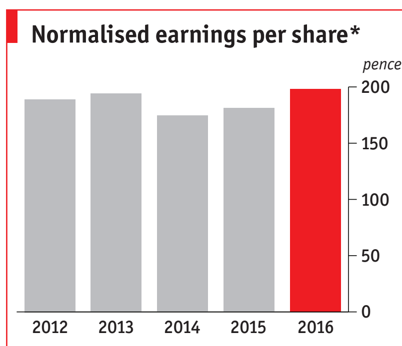


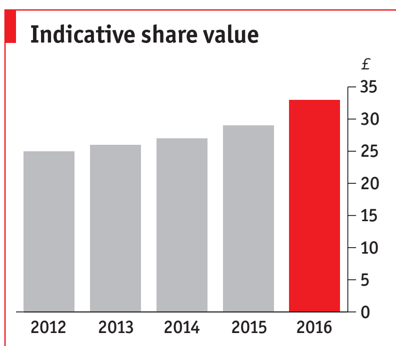


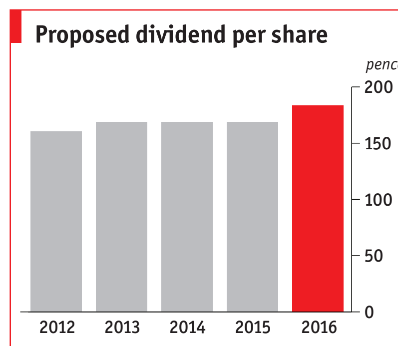












A description of the Group's principal risks, uncertainties and guiding principles can be found under the headings of Internal control and The Economist Group's guiding principles in the Directors' report on pages 20 and 21 respectively.

*2012-14 are UK GAAP measures, 2015-16 are IFRS measures.

From the chairman

YOUR Group has had a momentous year. It started with the same share register and balance sheet that had been largely unchanged for decades, and ended with something quite different. Pearson sold its 50% holding; Exor now owns 42.5% of the ordinary shares and all the "B" shares; we have sold our headquarters in St James's Street; with the proceeds the company has completed the repurchase of just over 5m shares, which now sit in treasury, available to be resold if needed; all shareholders have increased their percentage stake by 25%; and, most important of all, the company remains independent—and the principle of editorial independence is as solid as ever.

None of this would have been possible if Pearson had behaved differently. Always a supportive shareholder, when it decided to leave it gave us notice of its plans—and then gave Exor and the company time to complete the deal. We are delighted that Exor has raised its stake in the Group. Its chairman and CEO, John Elkann, has been a director of the company since 2009, and I know that Exor will be a committed and long-term shareholder.

Provided the Group delivers good results, Exor should also be a happy shareholder. Last year, it is fair to say, the results were mixed. They are also hard to interpret, because so much has changed: we have switched to International Financial Reporting Standards (IFRS), the share buy-back has cut distributable reserves and increased debt, and the sale of the building means Ryder Street Properties is classified as a discontinued business.

You will find all these twists and turns explained elsewhere in this report. In simple terms, on a pure IFRS comparison between two years, total revenue rose last year by 2% and operating profit did the same. These figures were helped by a stronger dollar, which last year averaged $1.51 against sterling compared with $1.61 the year before. We will always be affected by currency fluctuations and should welcome dollar strength when it happens.

But a stronger dollar does flatter year-on-year comparisons. At constant exchange rates, Group revenue fell by 2%. There was another painful decline in revenue from print advertising: down 18% in constant dollars. But the rest of the Group did encouragingly well. The number of full-price sales of *The Economist* rose by 3.5%. Revenue per copy increased by 6% while the cost of acquiring a new subscriber decreased by 5%. The Economist Intelligence Unit (EIU) boosted its profit by 21% and CQ Roll Call by 14%.

Taking a longer view, advertising revenue from print peaked in 2009 at £118m; last year it was down to £47m. This means we are now well over halfway through the decline in print advertising that has hammered all "traditional" media companies, and we have made considerable progress in filling the gap. Although market conditions remain unpredictable, we have made a good-enough start to the new year for the Board to recommend an increase in the final dividend. With fewer shares in issue (thanks to the buy-back), the proposed payment of 129.8 pence per share would be 31% more than last year's.

Since I reported to you last December, we have welcomed Alex Karp as a director. I thank him and the rest of the Board for their work this past year, not least for attending many unscheduled meetings. In turn we are grateful to the staff for their talented dedication. The Group has always been a wonderful place to work, but in today's world nobody should think it is easy.

RUPERT PENNANT-REA

From the chief executive

THERE are two words which sum up the past year: challenge and transformation. Like the whole industry, we are facing challenges—the unrelenting decline in print-advertising revenue, changes in how people consume content, and the occasional global-market jitters which can sharply affect revenue. Confronted with such challenges, we have chosen to continue to transform our business so that we can remain a robust business delivering excellent value for our shareholders.

Advertising remains our biggest challenge, and again it has declined this year. This, combined with the corporate belt-tightening after the global-market meltdowns in September, had an impact on the Group's revenue. Despite these pressures, we continued to invest in our key areas: digital, editorial and marketing. This too has affected our profit for the year, but it is an investment that we believe is essential to the Group's future success.

Indeed, we have already seen significant progress in our circulation-marketing strategy for *The Economist*. Discounted copies have been largely eliminated and are being replaced by paid subscriptions. As a result, our circulation profits grew 31% year on year to record levels. Our award-winning team has transformed our digital-marketing activities. We believe demand for *The Economist*'s mind-stretching journalism is undiminished and we remain confident that we can continue to go from strength to strength.

More audiences found new ways to engage with *The Economist* in the past year. Economist Films has produced amazing documentaries, bringing our heritage and values into a new medium. Its latest series, "Future Works", has been viewed more than 6m times across all platforms. At the beginning of the year, we launched the Global Business Review, our bilingual Chinese app, which has been downloaded more than 500,000 times. At the end of the year we relaunched *Intelligent Life* as *1843*, a luxury lifestyle magazine aimed at typical, globally curious *Economist* readers, but this time as they unwind and explore the finer things in life.

The EIU had a good year, with profits growing 21% year on year. Strong commercial leadership enabled its core subscription business to grow and renewal rates were an impressive 95%. Its three industry-focused divisions also continue to do well: healthcare continued its strong performance with revenues up 18%; in July we acquired Canback (subsequently rebranded as EIU Canback) to be at the heart of the EIU's new consumer predictive analytics business; and the public policy unit had a successful year with strong growth in Asia. I believe the EIU now has the strategy, the people and the structure to deliver considerable profitable growth in the coming years.

Changes in the leadership at CQ Roll Call have given the business a clearer sense of direction. Its profit grew 14% year on year, helped by a busy Congress and careful management of resources. With a firm focus on our position as the most trusted and comprehensive source for those whose jobs depend on the inner workings of the federal and state legislators, we now have the confidence to invest behind its core products and growth opportunities.

Most importantly, during the summer we secured the independence of *The Economist* for generations to come when Pearson decided to sell its 50% stake. Through buying back our own shares, welcome investment from Exor and some changes to our articles of association, we have further strengthened the independence of the company. With this independence comes a guarantee of editorial independence—which will continue to be the foundation of our commercial success.

CHRIS STIBBS

From the editor

YOU WILL have noticed (and, no doubt, been relieved) that there has been no radical transformation of *The Economist* under its new leadership. The changes have been incremental but, collectively, add up to a year of considerable innovation. We have tweaked what we do and how we do it, guided by two goals: to produce the best "mind-stretching" journalism, and to use digital technology to better reach our existing subscribers and to attract new ones.

We have put more emphasis on agenda-setting covers. About half our covers this year have introduced readers to big ideas and new technologies (from artificial intelligence to gene editing) or championed big reforms (from the abolition of tax preferences for debt to the legalisation of assisted suicide). The rest have tried to make sense of an extraordinary year in global politics. Europe featured frequently, from the refugee crisis to the Brexit campaign. We argued for openness in the former and firmly against the latter. Xi Jinping (to his displeasure) appeared on our cover several times, holding a pen in the shape of a gun, propping up the stockmarket, and bearing an uncomfortable resemblance to Mao Zedong. Donald Trump—or rather his hair—first appeared in September and, alas, has forced himself onto the cover several times since. In a rare scoop, Saudi Arabia's deputy crown prince told us he was planning a partial privatisation of Saudi Aramco. Our story was mentioned in over 2,000 other articles, reaching 200m people.

Our most ambitious print innovation was the relaunch of *Intelligent Life* as *1843*. The new magazine, which goes to around 460,000 of *The Economist*'s premium subscribers, is designed for readers when they have their feet up. It has sections on style, travel, technology, food and drink; its features are written in a more personal and relaxed style. Online traffic for *1843* is running at about 1.2m page views a month, four times more than *Intelligent Life*. *The World In*, our annual look at the year ahead, celebrated its 30th anniversary. We launched *The World If*, a new supplement of scenarios rather than predictions. It imagined Hillary Clinton's first 100 days as president and a world where driverless cars rule the roads. We dabbled in translation: an essay on marking the 70th anniversary of VJ Day was published in Japanese, Korean and Chinese online.

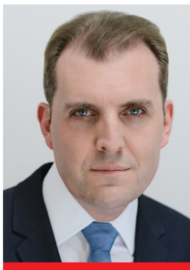
As Tom's report describes (page 8), this has been a big year for digital innovation, expansion and integration. Our Espresso shot of *Economist* analysis now appears six days a week. Economist Films has become a core part of our editorial output. Economist Radio is growing in listeners and ambition. Our social-media team has expanded our reach to 35m people on six platforms, some 44% higher than a year ago.

The EIU has continued to diversify editorially, deepening its city focus with the launch of a new city-based product called Market Explorer, and with the purchase of Canback, a management consulting firm. It was a year of big change at CQ Roll Call. CQ.com launched a new platform—CQ Plus—offering clients a far better experience at legislative tracking. Melinda Henneberger joined *Roll Call* as editor-in-chief in November. In March *Roll Call* launched an excellent new website, with quicker load time and elegant design.

Our journalists won outside recognition. Espresso was named app of the year at the British Media Awards. Economist Films won best video project. Philip Coggan, Buttonwood columnist, was named Journalist of the Year by the CFA Society of the UK. Sacha Nauta, European finance correspondent, was named best newcomer in the State Street awards. Laurie Blair, an EIU analyst, won the 2015 Bodley Head/*Financial Times* essay prize. *Roll Call* won the 2016 Everett McKinley Dirksen Award for distinguished reporting on Congress.

ZANNY MINTON BEDDOES
EDITOR-IN-CHIEF

The Economist's digital strategy



PUBLISHERS face two main questions in the fast-moving world of digital publishing: how to make money, given that business models based on display advertising do not seem to be sustainable; and how to respond to the emergence of new distribution platforms, such as Facebook Instant Articles, which can deliver large audiences but require publishers to make their content available in environments they no longer own or control.

Our answer to the first problem is quite simple: most of our revenue comes from print and digital subscriptions, not advertising, so the rise of ad-blocking and the diversion of advertising spending away from publishers and towards Google and Facebook harms us less than most. We also have a simple answer to the second question. We consider new distribution platforms, such as Apple News and Facebook Instant Articles, to be a logical extension of our existing social-media efforts, which we have stepped up this year (as Zanny mentions in her report on page 7).

We now have a team of ten writers and editors promoting our output on a growing range of social platforms. We have over 17m followers on Twitter and 7.7m on Facebook, and 1.8m on LinkedIn. Our posts on social platforms encourage new readers to sample our journalism. But our aim is always to drive them towards our own website and apps, where we can encourage them to become subscribers. We give away a limited number of articles on distributed platforms as part of this strategy, but access to the full breadth of our output still requires a subscription, and always will. Critical to this effort is the support of our editorial analytics team, which measures the effectiveness of our posts and helps us fine-tune our social output.

The biggest shift in our digital activities this year has been a greater emphasis on video, with the successful launch of Economist Films. It makes series of short, TV-quality documentaries and distributes them free on social platforms and our own website (expanding our audience and boosting brand awareness) with the financial support of sponsors. In the coming year we will expand this model and bring all our editorial video activities together under the Economist Films banner.

This year we also added a Saturday edition to Espresso, our daily morning briefing, which has won a string of innovation awards. We expanded the range and ambition of our audio output, Economist Radio, which produced specials on the right to die, Brexit and *The World In 2016*. We began promoting content on LINE, a messaging app popular in Asia, picking up more than 200,000 followers within four months and learning lessons that can be applied to Facebook Messenger and other similar services as they open up to publishers. Working with Project Mosul, a non-profit group, we created our first virtual-reality experience, "RecoVR: Mosul", a recreation of Mosul Museum and artefacts within it that were destroyed by Islamic State. And we began the overhaul of Economist.com, with a new design and faster-loading pages.

Publishing and technology are very different worlds with very different cultures. Newspapers publish one edition and move on to the next, but software is never finished. Publishers separate their editorial and commercial teams for good reason, but in the digital era they must work together to develop new products. To prosper, we and other publishers must learn to think and act more like the technology firms with which we both co-operate and compete.

TOM STANDAGE
DEPUTY EDITOR, THE ECONOMIST

The Economist global circulation

LAST year was the third year of a long-term plan to double the profitability of our subscription business, and as a result we set ambitious profit growth targets. This proved to be a successful strategy, as our circulation profits grew at a record pace of 31%, far exceeding expectations.

All the measures of success pointed in a positive direction: we grew the volume of subscribers by 3.5%; the gross margin per subscriber grew by 9%; the cost to acquire subscribers continued to decline; we acquired 8% more new subscribers than in the previous year; and subscriber retention rates continued to improve.

Newsstand sales, for which we had anticipated a further decline, fell far less than expected and even grew year on year in several countries—bucking industry trends.

We paid even greater attention to retaining our subscribers and encouraging them to make more profitable choices at renewal. By far the majority of subscribers have now selected either our print and digital bundle, or our digital-only bundle. The highest ever number is now subscribing on automatic renewal terms. At the same time, we improved the renewal rate for subscribers on non-automatic renewal terms by four percentage points.

We continued to invest carefully across the many digital-marketing channels available to us. This proved successful; on a 14% increase in digital-marketing investment, we grew the number of new subscribers by 27% and reduced the digital acquisition cost by 10%. Our established digital-marketing strategy is clearly working for us: determinedly pursuing leads, precisely measuring our return on investment and relentlessly optimising our efforts.

Outside the digital world, our multiple award-winning content-marketing activities included handing out free, insect-laced ice cream and presenting a virtual-reality restoration of the Mosul museum, which was destroyed by Islamic State. This helped us to recruit many new subscribers at highly profitable rates, while increasing brand awareness and demonstrating the breadth of our editorial content.

Our media communications continue to efficiently deliver the message that we write mind-stretching journalism for the globally curious. We returned to our campaigning roots with a press and social-media campaign in support of doctor-assisted dying.

We successfully launched the Global Business Review (GBR), the first bilingual product in our 173-year history. Social media played a significant role in extending the reach of GBR content, and through various campaigns on WeChat and Weibo we more than doubled the number of followers on these channels. By the end of the year, there were over 500,000 downloads of the app and we have opened up new opportunities in China.

With over 1.25m downloads, our daily app, Espresso, has been accessed by over half of our subscribers. Sponsorship and subscriber revenues for Espresso exceeded our expectations and feedback shows that it is a valued subscriber benefit that boosts retention.

Demand for our journalism appears undiminished, suggesting that our curation of world events remains a highly valued antidote to the infinite, low-quality free content available to readers. Due to this undiminished demand, and with a record year behind us, I am confident that the increased marketing and technology investment earmarked for our new and future fiscal years will be well spent on boosting our circulation.

MICHAEL BRUNT
CHIEF MARKETING OFFICER, THE ECONOMIST
MANAGING DIRECTOR, CIRCULATION

The Economist Group media businesses

OUR STRATEGY has been well documented over the past few years: to manage the structural shift of our clients' marketing spend from print to digital advertising and from advertising to content marketing. This year has been challenging, as the pace of change has been quicker and the cost of delivery higher than we expected. The composition of this business is now clear, with non-advertising activities representing 41% of our revenues and traditional print advertising 37%.

Despite our digital advertising revenues (online and in-app) growing year on year by 8%, overall advertising revenues dropped 8%. Although we predicted that print advertising across our three titles—*The Economist*, *The World In* and *Intelligent Life*—would fall, slower markets in Europe and Asia pushed them lower than expected. Advertising is high margin, so the impact of this on contribution was considerable. The growth in our non-advertising revenues came from content marketing and Economist events businesses, which grew revenues year on year by 10% and 13% respectively. EuroFinance hosted another successful annual event and expanded into the credit-processing sector through a partnership with Commercial Payments International.

This year saw the launch of a number of new products which we believe will be engines of future growth.

Following the success of our World Oceans Summit last year our strategy has been to build a small number of long-term large-scale events that are strongly aligned with our brand. This year we launched two more: The War on Cancer and Pride and Prejudice. The inaugural Pride and Prejudice event demonstrates the power of this strategy and how events are now truly multi-platform. Highlighting the business case for LGBT diversity and inclusion, it was held simultaneously in Hong Kong, London and New York. More than 500 people attended the event, which reached more than 17m people via social media and was watched by over 1.5m people online. Under *The World In* franchise we launched *The World If*, a mid-year look at the future, which appeared in print, online and in film. Our Careers business launched GRE Tutor (GRE is a standardised test used in postgraduate admissions) to sit alongside our successful GMAT tutoring product (GMAT is a standardised examination used by business schools), and we launched Executive Education Navigator—the only comprehensive listing of executive education courses around the world. Indeed, it features over 2,000 courses and regularly attracts over 65,000 users a month.

Of all our new launches this year probably the most significant is the relaunch of *Intelligent Life* as *1843*. With a new circulation strategy, *1843* now reaches around 460,000 *Economist* subscribers around the world, double that of *Intelligent Life*, and generates four times the number of page views of the old website. This performance was matched commercially with advertising in the first issue of *1843*. In the coming year we will continue to expand this business to mirror the rest of our media business, with events, content marketing and video.

We are not immune to the changes affecting the media industry, but I believe we are building the right foundations and we have the right talent and resources needed to be successful in the future.

PAUL ROSSI
PRESIDENT, THE ECONOMIST GROUP MEDIA BUSINESSES

The Economist Intelligence Unit

THE ECONOMIST INTELLIGENCE UNIT (EIU) had a good year, with revenues rising by 8% and profits by 21%. Our core economic and political forecasting business performed well. But over the past few years we have also been working hard to diversify beyond that core revenue stream by developing industry expertise and consulting skills. That strategy has paid off, with our two existing consultancy practices—healthcare and public policy—performing well during the year. In July we accelerated this transition towards a more diversified revenue model through the acquisition of Canback, a specialist consultancy firm with expertise in consumer industries.

Our editorial team had a busy year, dealing with economic and political crises ranging from China to the euro zone. This prompted strong demand for our forecasting services, with invoiced renewal rates running at 95% and new business accelerating. Our excellent coverage of smaller emerging markets meant we were well placed as clients looked to more exotic locations for growth. We also continued to deepen our city-level analytical capabilities.

We made significant investments in our commercial capabilities during the year. Under new sales leadership, we have restructured our subscription-sales operation and brought in dedicated new business-development capabilities. We have also reorganised the way we sell our consulting services, creating specialist global teams each focusing on a single practice. New marketing leadership has allowed a more systematic approach to lead generation and awareness building. We also upgraded the talent in our Corporate Network business in Asia and the Middle East, to support renewed growth next year.

Our public policy consulting practice had a successful year, with especially strong growth in Asia. The EIU brand is strong in public policy and, with a new dedicated sales team, I expect good growth in the coming year. Our healthcare consulting business also grew strongly, with revenues up 18%. Evidence review and value demonstration services grew particularly quickly, as the business diversified beyond the UK's NHS into overseas markets. Our market intelligence and consulting services also grew rapidly, especially in Asia. But we are building up our European and US operations, where client budgets are largest.

In July we acquired Canback, now rebranded EIU Canback. This consultancy firm provides predictive analytics and management consulting to consumer firms across the world. We have already deployed a specialist sales team to open up new opportunities in South-East Asia, China, the Middle East and the US. Our marketing teams are also providing support in awareness building and lead generation, and I expect to see significant growth in Canback during 2016-17.

The world economy seems likely to be somewhat lacklustre next year. Yet I think the prospects for the EIU are bright. In difficult times, experience suggests clients will turn to us for advice and support. We have a highly capable editorial and consulting team, a newly revitalised sales and marketing operation, and strong sales pipelines across all areas of the business. This gives me a good deal of confidence about the year ahead.

ROBIN BEW
MANAGING DIRECTOR, THE ECONOMIST INTELLIGENCE UNIT

CQ Roll Call

CQ ROLL CALL grew its contribution to the Group by 14% this year helped by a busy Congress and careful management of resources. We focused on two areas during the year: improving the efficiency of our Washington operation; and investing to maintain our position as the most trusted and comprehensive source for those whose jobs depend on knowing the inner workings of the federal and state legislatures.

Our news service CQ.com showed good growth in reader engagement. Year on year, there was a 3.5% increase in traffic to 1.6m site visits. The day the federal budget deal was unveiled, CQ.com had its highest number of single-day unique page views in more than six years. This is testament to the fact that our clients turn to us for reliable, unbiased coverage in an increasingly polarised political environment.

As a response to our clients' needs, CQ launched Senate Action Reports, a new website and newsletter that will be paired with the news service's venerable House Action Reports. Both products will provide insider information about the personalities and politics that drive the legislative business in Washington. CQ News revamped its weekly magazine and expanded its activities in events, e-books and podcasts, drawing sponsorship revenue and bringing its analysis to broader audiences.

As a mark of our authoritative position in DC, other information businesses partner with CQ to enhance their offer to clients. We expanded our partnership with Thomson Reuters by increasing the volume of content delivered by extending its distribution rights into new markets. Our legal and regulatory feeds now include expanded coverage of data privacy and our insurance content will be distributed early next year.

In our state legislative tracking service, we closed the year 64% better than the previous year with an upgraded product and enhanced marketing. Our service now has a vastly increased data archive, adding more than 1m bills from previous legislative sessions—a key requirement of our customers.

Roll Call entered the tumultuous presidential election year with a newly designed website and stronger contributors and journalists. Our aim was to create a more mobile-friendly platform with faster load times and offer a greater variety of storytelling tools, including video and podcasts. Better video content has already helped *Roll Call* grow its off-platform social-media reach, with engagement on Facebook for its content increasing by 400% since January. We invested in *Roll Call* because we know its reporting can reach beyond Washington. To that end, large corporations such as Amazon and Procter & Gamble are partnering with us at the Republican and Democratic presidential conventions this summer.

Despite a tough end to the year, our performance was good for Washington political-advocacy advertising and sponsorship sales. There was an increase in our non-print sales, bringing them to 38% of our total sales. We maintained both print and digital rates despite market dips between December and March. Much of the work we did in the final months of the year set us up well to capitalise on strong trends and growth in onsite digital, programmatic digital and event sponsorship in the current election year.

With this strong year complete, we will continue to focus on solidifying our position as Washington's premier source for those who need to know how Congress, the federal government and, increasingly, state and local lawmakers work. Our customers need our superior insight and information to do their jobs. We will increase investment to ensure that our customers get the information they want when they want it and in whatever format is right for them.

PAUL MCHALE
PRESIDENT, CQ ROLL CALL

STRATEGIC REPORT (ON PAGES 2-12) BY ORDER OF THE BOARD

OSCAR GRUT **SECRETARY**
June 14th 2016

REPORT AND ACCOUNTS

REPORT AND ACCOUNTS

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Directors

Rupert Pennant-Rea
Appointed as non-executive chairman in July 2009, having served as a non-executive director since August 2006. Chairman of Royal London Group, and a non-executive director of Times Newspapers. Editor of *The Economist* from 1986 to 1993 and deputy governor of the Bank of England from 1993 to 1995.

Chris Stibbs
Appointed Group chief executive in July 2013, having joined the company as Group finance director in July 2005. Managing director of the Economist Intelligence Unit from April 2010 until July 2013. Previously corporate development director of Incisive Media, finance director of the TBP Group and managing director of the FT Law and Tax Division.

Sir David Bell
Appointed as a non-executive director in August 2005. He retired as an executive director of Pearson in May 2009 and as chairman of the Financial Times in December 2009. Chair of council, University of Roehampton, chairman of Syndics of Cambridge University Press and of Sadler's Wells.

John Elkann
Appointed as a non-executive director in July 2009. Chairman and CEO of EXOR, chairman of Fiat Chrysler Automotive, Giovanni Agnelli e C, PartnerRe and Italiana Editrice S.p.A, and a director of Ferrari N.V. and News Corporation. Also vice-chairman of the Italian Aspen Institute and the Giovanni Agnelli Foundation.

Lady Heywood
Appointed as a non-executive director in November 2015. Managing director of Exor Group, director of CNH Industrial and a trustee of the Royal Opera House, Royal Academy of Arts and the Royal Academy of Music. Previously a director at McKinsey & Company and a principal in the UK Treasury.

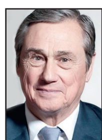
Brent Hoberman
Appointed as a non-executive director in January 2016. Chairman and co-founder of Founders Factory, Founders Forum, made.com and Smartup. Co-founder of lastminute.com and a non-executive director of TalkTalk. He is a business ambassador for the UK government and also sits on its Digital Advisory Board.

Baroness Jowell
Appointed as a non-executive director in November 2015. Member of the House of Lords, served as a member of Parliament for 23 years including 13 years as a minister and eight in the cabinet. Professor in practice at the London School of Economics, non-executive chairman of the Chime Specialist Group and chair of City Safe Foundation. Senior visiting Fellow, Harvard School for Public Health.

Alex Karp
Appointed as a non-executive director in February 2016. Co-founder and CEO of Palantir. Received his PhD from the University of Frankfurt and a law degree from Stanford.

Zanny Minton Beddoes
Appointed as editor-in-chief 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.

Trustees



Sir Simon Robertson
Appointed as a non-executive director in July 2005. Founder of Simon Robertson Associates LLP. Non-executive director of Berry Bros & Rudd and member of the Royal Opera Endowment Fund committee. Former chairman of Rolls-Royce Holdings and deputy chairman of HSBC Holdings.

Lady Lynn Forester de Rothschild
Appointed as a non-executive director in October 2002. A non-executive director of the Estée Lauder Companies, and a trustee of the Eranda Rothschild Foundation, the Peterson Institute for International Economics and the McCain Institute for International Leadership.

Philip Hoffman, John Ridding and Luke Swanson
Stepped down from the Board in October 2015, when Pearson sold its holding of "B" special shares to Exor.

Eric Schmidt
Retired from the Board in October 2015 having served since October 2013.

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). Member of the cabinet (1992-97), serving as secretary of state, first for health and then for national heritage. Chancellor of the University of Hull and governor of the London School of Economics. Member of the UK Advisory Council of the International Chamber of Commerce and of the International Advisory Panel of Chugai Pharmaceutical. Non-executive director of Smith & Nephew.

Tim Clark
Trustee since December 2009. Chair of WaterAid UK. Group senior adviser to G3 and a non-executive director of Big Yellow Group. Board member of the National Theatre, senior adviser to Chatham House, vice-chair of Business for New Europe, and a member of the International Chamber of Commerce UK Governing Body, the Development Committee of the National Gallery, the International Advisory Board of Uria Menendez and the Advisory Board of the Centre for European Reform. Former senior partner of Slaughter and May.

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 the UK 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. Chairman 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.

Bryan Sanderson
Trustee since May 2006. Director of Argus Media, chairman of the Florence Nightingale Foundation and of Home Renaissance Foundation, an emeritus governor of the London School of Economics, a director of Durham CCC, a member of the FA UEFA Club Licensing Committee, a director of One World Entertainment and TX2.

Board committees

Audit committee
Sir Simon Robertson, chairman
Lady Heywood (since November 2015)
Rupert Pennant-Rea
Lady Lynn Forester de Rothschild

Remuneration committee
Rupert Pennant-Rea, chairman
Sir David Bell
John Elkann

Nominations committee
Rupert Pennant-Rea
John Elkann
Lady Lynn Forester de Rothschild

Group management committee (GMC)

Chris Stibbs
Zanny Minton Beddoes

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

Michael Brunt
Chief marketing officer, *The Economist* and managing director, circulation. Joined the Group in 2006. He has held various roles, including: Group marketing director for Asia; managing director for The Economist Businesses in Europe; and head of circulation for the Americas and global marketing for Economist Digital.

Jora Gill
Chief digital officer. Joined the Group in June 2014. Formerly a chief technology officer (CTO) at Elsevier and previously CTO at Standard & Poor's.

Oscar Grut
EVP, corporate development, Group general counsel and company secretary. Previously founded *The Economist*'s digital editions business and served as managing director for its digital operations. Joined the Group in 1998 from Linklaters.

Suprio Guha Thakurta
Chief strategy officer. Joined the Group in 2007 as associate publisher, India, before becoming managing director, India, in 2008 and then managing director, circulation, Asia Pacific.

Paul McHale
President of CQ Roll Call. Previously Group HR director. Joined the Group in 1999 from United Biscuits, where he was an HR manager at McVitie's. Began his career at J Sainsbury.

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

Tim Pinnegar
Publisher and managing director, Asia Pacific. Joined the Group in May 2001 as regional sales manager, having worked for Leo Burnett Asia. He subsequently became publisher, Asia Pacific.

Paul Rossi
President, The Economist Group media businesses. Since joining the Group in 1987, he has held various roles, including: managing director and EVP, Americas; global publisher of Economist.com; and publisher of *The Economist* in North America.

Tom Standage
Deputy editor, *The Economist*, and Group digital strategy lead. Previously technology editor, business editor and business affairs editor, having joined the Group in 1998 as science correspondent.

Elena Sukacheva
Joined the Group in 2011 as head of integrated marketing, Americas, before becoming senior vice-president of circulation, Americas. Former senior director of strategy at Kraft Foods, having previously worked for McKinsey & Company, Leo Burnett and Publicis.

Directors' report

The directors present their report to shareholders, together with the audited consolidated financial statements, for the year ended March 31st 2016.

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, until the sale of the Economist Complex on March 3rd 2016, the letting of property. Further information about the activities, developments and likely future developments of the Group are described on pages 5-12.

Results and dividends

The profit after tax for the financial year to March 31st 2016 was £151.1m (2015: £45.3m). A final dividend of 129.8p per share (2015: 99.2p) is proposed for the year to March 31st 2016. Together with the interim dividend already paid, this makes a total proposed dividend for the year of 183.4p (2015: 168.7p). The final dividend will be paid on July 26th 2016 to shareholders on the register at the close of business on June 14th 2016.

Transactions with related parties

Details of transactions with related parties, which are to be reported under IAS 24, are set out in the notes to the financial statements on page 80.

Directors

Profiles of the directors appear on pages 16-17. 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 103 "A" special shareholders, and the "B" special shares are all held by EXOR S.A.

The trust shares are held by trustees (who are described on page 17), 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.

Following changes to the company's articles of association approved at a general meeting of the company in September 2015, 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);

- 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 and are held in treasury. The voting and dividend rights associated with those shares are suspended.

Corporate governance

As a private company, the company is not bound by the Listing Rules of the Financial Conduct Authority to report on compliance with the UK Corporate Governance Code, but it has always sought to run its corporate affairs in line with best practice. It therefore follows the main principles of the UK Corporate Governance Code as closely as is felt to be reasonably practicable and useful to shareholders. The directors' report, including the directors' report on remuneration, which has been considered and approved by the Board, describes how the company has applied and complied with these principles, with the following main exceptions:

- Given the calibre and experience of the non-executive directors, the Board does not believe it is necessary to identify a senior independent director or to offer professional training to non-executive directors (although this would be available on request).

- The directors' contracts of employment do not explicitly provide

for compensation commitments in the event of early termination.

• Some shareholder meeting procedures do not comply.

• In view of the company's unique capital structure which gives the "A" special and "B" special shareholders the right to appoint directors, the directors do not stand for re-election under the company's articles of association. However, it is Board policy that "A" special shareholders are given the opportunity to vote on the renewal of the appointments of non-executive directors elected by them on each three-year anniversary of such appointments (or the six-year anniversary, in the case of a chairman's first term).

• The Board does not undertake a formal evaluation of its performance or that of its committees and individual directors.

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 nine non-executive directors and two executive directors. Brent Hoberman, Baroness Jowell, Zanny Minton Beddoes, Rupert Pennant-Rea, Sir Simon Robertson and Lady Lynn Forester de Rothschild were appointed by the "A" special shareholders. The "B" special shareholders appointed Sir David Bell, John Elkann, Lady Heywood, Alex Karp and Chris Stibbs. 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; Lady Lynn Forester de Rothschild is interested in a significant number of shares. 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 pages 23-25.

The Board is chaired by Rupert Pennant-Rea and has met for regular business six times in the 12 months to March 31st 2016. 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 four non-executive directors. It is chaired by Sir Simon Robertson. The other members are Lady Heywood (since November 2015), Rupert Pennant-Rea and Lady Lynn Forester de Rothschild. 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 reliable internal financial information is produced. The committee is also responsible for reviewing the suitability and effectiveness of the Group's internal financial controls, the work and findings of both internal and external auditors, and key accounting policies and judgments.

The remuneration committee is made up of three non-executive directors. It is chaired by Rupert Pennant-Rea, and the other members are Sir David Bell and John Elkann.

The nominations committee was formed in August 2015. Its 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 John Elkann), and a director representing any shareholder group that owns more than 15% of both the "A" special shares and the ordinary shares (currently Lady Lynn Forester de Rothschild). The 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 two non-executive directors (whose election remains subject to the approval of the holders of a majority of the "A" special shares). Those two nominees are currently Lady Lynn Forester de Rothschild and Baroness Jowell. The committee meets as and when required, but in any event at least annually.

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 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 migration of advertising spend to digital formats and non-advertising approaches, the pace of change in digital markets for reading and advertising, and the commoditisation of information products); the global shift of economic

power from West to East; volatility of the surplus/deficit on the UK defined-benefit pension scheme; building and staff safety; business continuity (including the breakdown of operational systems from external attack, the failure of key suppliers or a global disaster); the impact on the business of cybercrime attacks; brand and reputational risk (from libel action or infringement of the Group's intellectual property rights); regulatory risk, such as changes to privacy laws; and the financial operations of the company, specifically foreign exchange 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 key 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 actual 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 audit manager reports to the Group chief financial officer but also has direct access to the chairman of the audit committee. The manager attends all audit committee meetings and makes formal reports to the committee. The register of key business risks and mitigation actions are 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.

The Economist Group's guiding principles

The Group operates in a clear and ethical context, and the Board has therefore approved the following guiding principles:

• 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, staff, 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.

• We respect environmental standards and comply with relevant local laws. We take environmental issues seriously. We conduct an annual review of the environmental impact of our operations, specifically carbon emissions.

• *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 staff who through disability or illness are unable to perform their duties, by adapting the work environment and hours of work to suit the employee where it is reasonable for the business.

- The Group is committed to increasing staff 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 employees informed of the progress of the Group. We regularly provide employees with information on the Group's activities and its financial performance through staff meetings and communication through our intranet. We have a strong consultative culture and we follow legal and regulatory requirements to consult with staff on major issues affecting the company.

Annual general meeting and general meeting of "A" special shareholders

The notices convening the annual general meeting and the general meeting of "A" special shareholders, to be held at 12.15pm on Tuesday July 19th 2016 at the British Academy of Film and Television Arts, can be found on pages 117-120.

Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors 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 auditors 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. A statement of the fees for audit and non-audit services is provided in note 4 on page 44.

Disclosure of information to auditors

As far as each of the directors is aware, there is no relevant information that has not been disclosed to the company's auditors, 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 auditors have been made aware of that information.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board
Oscar Grut
Secretary
June 14th 2016

Directors’ report on remuneration

The committee

The remuneration committee of the Board is made up of three non-executive directors: Rupert Pennant-Rea (chairman), Sir David Bell and John Elkann. 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.

Directors’ interests as at March 31st

Table 1		2016			2015	
Beneficial holdings	“A” Special	“B” Special	Ordinary	“A” Special	“B” Special	Ordinary
Rupert Pennant-Rea	75,000	-	8,450	75,000	-	8,450
Sir David Bell	-	-	-	-	-	-
John Elkann[1]	-	1,260,000	7,490,000	-	-	1,190,000
Lady Heywood (appointed November 2015)	-	-	-	-	-	-
Brent Hoberman (appointed January 2016)	-	-	-	-	-	-
Philip Hoffman (retired October 2015)	-	-	-	-	-	-
Baroness Jowell (appointed November 2015)	-	-	-	-	-	-
Alex Karp (appointed February 2016)	-	-	-	-	-	-
Zanny Minton Beddoes	-	-	6,415	-	-	9,145
John Ridding (retired October 2015)	-	-	-	-	-	-
Sir Simon Robertson	-	-	4,800	-	-	4,800
Lady Lynn Forester de Rothschild[2]	240,440	-	3,887,048	240,440	-	3,841,548
Eric Schmidt (retired October 2015)	-	-	-	-	-	-
Chris Stibbs	3,355	-	30,189	250	-	23,939
Luke Swanson (retired October 2015)	-	-	-	-	-	-
Holding as a trustee						
Lady Lynn Forester de Rothschild[2]	-	-	1,305,002	-	-	1,305,002
Rupert Pennant-Rea[3]	-	-	97,500	-	-	97,500

[1] Indirectly held by a company of which he is a director and chief executive officer.

[2] Includes the interests of her spouse, Sir Evelyn de Rothschild.

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

Chris Stibbs and Zanny Minton Beddoes have the right to acquire 30,000 (2015: 32,500) and 15,000 (2015: nil) ordinary shares respectively under the restricted share scheme described on the next page. In April 2016, Chris Stibbs and Zanny Minton Beddoes were awarded the right to acquire a further 10,000 ordinary shares each under the scheme. Only one director exercised 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, the directors are treated as interested in the 199,505 ordinary shares (2015: 201,563) 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

Executive directors and some other senior employees were awarded performance units under the executive long-term plans. For schemes commencing on April 1st 2013, the units are equivalent in value to the company's ordinary shares. After a three-year performance period, participants may receive payments depending on the Group's performance against earnings per share hurdles and its total shareholder return compared with a selected group of companies.

For schemes commencing April 1st 2014 and thereafter, 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) The Group long-term plan

Some senior staff who do not participate in the executive long-term plan participate in this three-year cash bonus scheme designed to help retain key 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.

(e) 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 the following table. 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 profit and loss account in the year unless otherwise noted. The table includes future and uncashed entitlements under annual incentive schemes.

Table 2
Remuneration for the years ended March 31st

	Salary/fees	Annual bonus	Long-term plan	Benefits	Total	
	2016	2016	2016	2016	2016	2015
	£000	£000	£000	£000	£000	£000
Rupert Pennant-Rea	131	-	-	-	131	126
Sir David Bell	39	-	-	-	39	38
John Elkann	39	-	-	-	39	38
Rona Fairhead (retired July 2014)	-	-	-	-	-	9
Lady Heywood (appointed November 2015)	8	-	-	-	8	-
Brent Hoberman (appointed January 2016)	10	-	-	-	10	-
Philip Hoffman[1] (retired October 2015)	21	-	-	-	21	26
John Micklethwait (retired January 2015)	-	-	-	-	-	269
Baroness Jowell (appointed November 2015)	15	-	-	-	15	-
Alex Karp (appointed February 2016)	7	-	-	-	7	-
Zanny Minton Beddoes	327	-	-	16	343	67
John Ridding[1] (retired October 2015)	21	-	-	-	21	38
Sir Simon Robertson	45	-	-	-	45	44
Lady Lynn Forester de Rothschild	39	-	-	-	39	38
Eric Schmidt[2] (retired October 2015)	-	-	-	-	-	-
Chris Stibbs	432	-	-	16	448	774
Luke Swanson (retired October 2015)	21	-	-	-	21	38
Total	1,155	-	-	32	1,187	1,505

[1] Paid to The Financial Times Limited/Pearson.
[2] Fees waived.

Directors' accrued pensions

The pensions which would be paid annually on retirement at age 65 based on service with the company to March 31st 2016 are shown below. The table does not include any additional voluntary contributions or any resulting benefits.

Table 3

	Age at March 31st 2016	Accrued pension at March 31st 2016	Accrued pension at March 31st 2015	Change
Zanny Minton Beddoes	48	£120,062	£112,737	£7,325
Chris Stibbs	The company contributed £43,197 to the defined-contribution scheme (2015: £45,879).			

Financial review

2016 was a year of transformation for the Group financially. This involved: the acceleration of structural changes in our industry; a capital restructuring following the departure of our long-standing former shareholder, The Financial Times Limited; the leveraging-up of the balance sheet; and the sale of the Economist Complex. The Group also changed its method of financial reporting, moving away from UK GAAP and adopting International Financial Reporting Standards (IFRS) in line with FTSE companies. This has led to the restatement of its financial statements and additional disclosures provided in the notes.

Operating result

For the Group, operating profit from continuing businesses grew by 2% over last year to £60.7m on revenues of £330.9m. Operating margin for the year was unchanged at 18.3%.

Revenues for the Group increased by 2% in the year helped by a stronger US dollar. Behind the headline number, *The Economist's* circulation revenues improved by £8.1m (8%), because of higher revenue per copy and an increase in paid volume, and there was growth in content solutions (10%), Economist Events (13%) and EIU industry and custom research businesses (25%). Acceleration of structural changes in advertising markets combined with corporate belt-tightening after the global market meltdowns in September, in our seasonally stronger months, affected advertising revenues, which fell 8%. Revenue growth was also driven by recently acquired businesses.

Operating margins were held despite the continuing decline in high-margin print advertising and our determination to protect key investments in digital solutions, infrastructure, editorial and circulation marketing. This was largely a result of our strategy to increase the profitability of the circulation of *The Economist*, which continues on its upward trajectory. The strong demand from subscribers for the premium-priced print and digital bundle was a key driver in year-on-year growth of 31% in circulation profits. Circulation-marketing expenditure increased by 4% in the year as the team reinvented our digital-marketing activities, grew the number of new starts and increased our social-media following. The Group also increased investment in new products—including Economist Films and the Chinese and English dual-language Global Business Review.

Profit before tax

Profit before tax grew by 1% to £54.1m. Finance charges increased by £1.0m because of higher finance costs on the defined-benefit pension scheme liability, interest on borrowings taken out in the year to fund the share buy-back, and finance charges on deferred consideration. These were offset by interest income receivable on loan notes recognised following the sale of the Group's former CFO business, as our residual 28% interest in the business was sold in May 2016.

Taxation

The effective rate of taxation for the year was 19.7% (2015: 21.9%). The reduction in the tax charge is because the rate of corporation tax has reduced in the UK by a further 1% to 20% and there were lower levels of expenses disallowed for tax purposes in 2016.

Profit after tax and earnings per share

Profit after tax, for continuing operations, grew by 3% to £43.5m. Growth in basic earnings per share was higher at 9% because the average number of shares in issue for the year, after the buy-back, was lower.

Sale of the Economist Complex and discontinued operations

The Group completed the sale of its UK property business, which includes the Economist Complex in St James's Street, London, in March 2016. The sale of the property was completed to fund the second tranche of shares bought back from Pearson plc. The after-tax trading profits (£3.7m) and profit on sale (£103.9m) of the business are shown in aggregate as profits from discontinued operations in the income statement, and in more detail in note 3 on page 43.

Balance sheet

The shareholders' deficit on the Group's balance sheet increased by £53.4m in the year to £77.3m, largely as a result of the buy-back of 20% of the company's shares, which were converted to treasury shares. This arose because Pearson plc sold its 50% equity interest in the company during the year with EXOR S.A. acquiring 60% of that interest and the company acquiring the remaining 40%. The company acquired 5,040,000 ordinary shares for £182.0m in two tranches: the first tranche funded by £91.0m of new term loans taken out in October 2015, and the second tranche funded by the sale of the property in March 2016. Cash received from the sale of the property was used to repay £20.0m of the debt drawn to fund tranche one, and the reserves of £103.9m created from the profit on the sale have partially offset the impact of the buy-back on the shareholders' deficit. This was also mitigated by a reduction

in the deficit on the defined-benefit pension scheme as a result of changes in financial assumptions on the liabilities.

Balance-sheet liabilities include £105.4m of income received in advance from customers, a significant strength for the Group. Net debt increased by £80.1m in the year. This included £70.5m of new borrowings to fund the share buy-back, revaluation effects caused by a stronger US dollar, and a cash outflow caused by higher capital expenditure and the timing of operating cashflows.

Pensions

The Group operates a number of pension schemes. These include the UK defined-benefit plan, which is the only scheme of its type in the Group.

For the year ended March 31st 2016, the UK defined-benefit plan's deficit valued for accounting purposes using IAS 19 principles decreased by £29.4m to £9.4m. The value of scheme liabilities reduced by £36.6m due to a higher discount rate (3.75%), which had been unprecedentedly low in the previous year (3.35%), and the use of more recent (2015) mortality assumptions. Asset values fell by £7.2m. A triennial actuarial valuation of the fund as at January 1st 2016 is currently in progress.

Dividend

The directors continued to maintain a progressive dividend policy during the financial year and carried out their regular assessment of the feasibility of paying special dividends in the light of debt levels, cashflows, trading conditions, business risks and investment needs. In November 2015 the directors decided not to pay a special dividend in view of the cash needs of the business.

As a result of the buy-back, each shareholder's percentage holding in the Group increased by 25%. The impact on dividends per share will not be fully realised until 2017 due to the timing of the share buy-back in 2016, though it did increase the per-share value of the interim dividend (53.6p per share), paid in December 2015. This, when added to last year's final dividend (99.2p per share), paid in July 2015, brought the total paid in the year to 152.8p, 10.7p less than in the previous year which included a special dividend. This represented a yield of 4.6% based on the year-end share price of £33.00.

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. This includes policies to manage insolvency risk associated with counterparties that hold our deposits. Treasury policies are agreed by the Board and implemented on a day-to-day basis by the central UK treasury department. A treasury committee, which includes the Group chief executive and chief financial officer, provides guidance and acts as a monitor of treasury activities. The treasury department acts as a cost centre and not as a profit centre.

The Group had net debt of £97.0m at the year-end (2015: £17.0m) with the increase due to the share buy-back. The Group arranged five-year term loans with Barclays (£54.6m) and Royal Bank of Scotland (RBS, £36.4m) expiring in October 2020. The loans incur interest at LIBOR plus 1.20%-1.90% depending on the Group's ratio of net debt to EBITDA at its reporting dates. The Group repaid £20.0m on completion of the second tranche of the share buy-back pro-rata to Barclays and RBS.

The Group has committed borrowing facilities with Barclays (£40.0m) and RBS (£9.0m) expiring in 2020. It also has coterminous uncommitted "accordion" facilities with Barclays (£40.0m) and RBS (£25.0m) plus an uncommitted shelf facility with Pricoa ($120.0m), renewable in July 2017, to streamline access to funds if needed for investment or other corporate purposes. The committed facility with Barclays incurs non-utilisation fees of 0.4% and, if drawn, will incur interest at LIBOR plus 1.00% as well as utilisation fees depending on levels drawn. The RBS committed facility incurs non-utilisation fees of 0.5% and, if drawn, will incur interest at LIBOR plus 1.25%. The uncommitted Pricoa shelf facility sits above the $85.3m of existing loan notes (see below) and therefore provides an extra $34.7m of capacity. Rates on the uncommitted shelf are determined by the lender based on market conditions at the time funds are drawn.

At the year-end the Group had borrowings of £132.8m (2015: £64.0m) net of issue costs. This related to the five-year bank term loans totalling £70.5m, loan notes totalling $85.3m (£59.0m) taken out under the private shelf facility agreements with Pricoa, and a term loan from Barclays (£3.3m). The Pricoa notes were originally taken out to fund the CQ acquisition in 2009 and were repayable between years six and ten after inception. Repayments

were due in July 2014 and July 2015 and the Board decided, given favourable long-term rates available in the market and the greater cash flexibility it would create, to refinance them under the new shelf facility described above. At the year-end there were $56.7m of notes repayable between July 2016 and 2019 under the original shelf facility at interest rates of 8.53% and 8.32%, $14.5m of notes drawn under the new shelf facility repayable in July 2022 at an interest rate of 4.89%, and $14.2m of notes drawn under the new shelf facility repayable in July 2023 at an interest rate of 4.75%. The Board will make a decision annually as to whether to refinance each tranche as it expires depending on cash needs and prevailing market conditions. The Barclays term loan bears interest at a rate of LIBOR plus 1.25% and is repayable in instalments by January 2017.

Cash and deposits at March 31st 2016 totalled £35.8m (2015: £47.1m). 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 0.4% for sterling deposits and 0.06% 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.

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 by the treasury department, through the use of forward foreign-exchange contracts and through funding US acquisitions with US dollar-denominated loans. As the Group has applied hedge accounting in 2016 under IFRS, it has discontinued using currency options to hedge US-dollar exposures as options would not meet the stringent hedge effectiveness rules prescribed by IAS 39. Foreign-exchange risk is actively managed only on currencies where the net exposure exceeds £3.0m, currency equivalent, per year. 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.

For the year the US dollar averaged $1.51 against sterling (2015: $1.61) and closed at $1.44 (2015: $1.48). The stronger dollar has benefited the translation of revenues and trading results by £13.8m and £4.8m respectively. Realised and unrealised gains from currency derivatives and translation of the balance sheet were £1.2m (2015: £4.2m loss).

Cashflow

For the financial year there was a cash outflow of £81.5m before debt financing compared with an inflow of £4.8m in 2015. In this year of transformation the cashflow has been significantly affected by the share buy-back and related transactions explained above. Underlying operating cashflow has been affected by higher capital expenditure as the Group invests in digital infrastructure; a move to more regular, shorter-term automated subscription renewals; special pension contributions; and certain non-cash cost savings.

International Financial Reporting Standards

The Group has adopted IFRS this year. There are significant changes to the Group's accounting policies, the previously reported financial results and position, and the presentation and disclosure of the financial statements.

The impact of IFRS on previously reported results is explained in detail in note 35 to the Group financial statements and note 27 to the company financial statements.

In 2014, we increased distributable reserves through a capital reduction exercise approved by shareholders. This increase was implemented because different accounting treatments under IFRS, especially in the treatment of the pension fund and foreign-exchange revaluation on international loans, may over time have resulted in a reduction of distributable reserves. The adoption of IFRS in 2016 means we are now exposed to these risks.

The share buy-back during the year has reduced the level of distributable reserves in the company that is available to pay future dividends. There is a one-time opportunity for first-time adopters of IFRS to revalue investments in subsidiaries. This creates an unrealised revaluation gain that can be converted to a realisable distributable reserve. This gain can be realised by means of a capital reduction. In order to create a buffer against the risk to the company's ability to pay dividends, the Board is proposing a capital reduction exercise similar to the one carried out in July 2014. A full description of this proposal is included in the notice of annual general meeting at the end of this annual report.

Shane Naughton

Independent auditors' report to the members of The Economist Newspaper Limited

Report on the financial statements

Our opinion
In our opinion:

- The Economist Newspaper Limited's Group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the company's affairs as at March 31st 2016 and of the Group's profit and the Group's and the company's cashflows 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 company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the Annual Report (the "Annual Report"), comprise:

- the consolidated and company balance sheet as at March 31st 2016;
- the consolidated income statement and statement of comprehensive income for the year then ended;
- the consolidated and company cashflow statements for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006. In applying the financial reporting framework, the directors have made a number of subjective judgments, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of The Economist Newspaper Limited (continued)

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of directors' responsibilities set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgments against available evidence, forming our own judgments and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Philip Stokes (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

June 15th 2016

Consolidated income statement

Years ended March 31st

NOTE		2016 £000	2015 £000
2	**Revenue**	**330,903**	**324,451**
	Cost of sales	(106,171)	(98,205)
	Gross profit	**224,732**	**226,246**
	Distribution costs	(34,408)	(33,886)
	Marketing, development and other administrative costs	(129,493)	(132,970)
12	Acquired intangible amortisation	(171)	(21)
2	**Operating profit**	**60,660**	**59,369**
6	Finance costs	(7,450)	(5,566)
6	Finance income	923	44
2	**Profit before tax**	**54,133**	**53,847**
7	Income tax	(10,639)	(11,817)
	Profit for the year from continuing operations	**43,494**	**42,030**
3	Profit for the year from discontinued operations	107,575	3,281
	Profit for the year	**151,069**	**45,311**
	Attributable to:		
	Equity holders of the company	151,069	45,311
	Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the company during the year		
8	**Basic (pence)**	**634.3**	**181.2**
8	Diluted (pence)	630.4	180.6
	Earnings per share for profit from continuing operations attributable to equity holders of the company during the year		
8	**Basic (pence)**	**182.6**	**168.1**
8	Diluted (pence)	181.5	167.6
9	Dividends per share including proposed dividends (pence)	183.4	168.7
9	Dividends per share on a cash basis (pence)	152.8	163.5

Consolidated statement of comprehensive income

Years ended March 31st

NOTE		2016 £000	2015 £000
	Profit for the year	**151,069**	**45,311**
	Items that may be reclassified subsequently to the income statement:		
21	Change in fair value of cashflow hedges	(1,104)	-
	Net exchange differences on translation of net investments in overseas subsidiary undertakings	(145)	7,091
	Net exchange differences on foreign currency loans	(1,579)	(6,449)
	Items that will not be reclassified to the income statement:		
26	Remeasurement of retirement benefit obligations	30,039	(29,086)
15	Attributable tax	(6,008)	5,817
	Other comprehensive income/(expense) for the year	21,203	(22,627)
	Total comprehensive income for the year	**172,272**	**22,684**
	Attributable to:		
	Equity holders of the company	172,272	22,684

Consolidated balance sheet

NOTE	As at March 31st	2016 £000	2015 £000	2014 £000
11	Property, plant and equipment	9,886	14,954	14,927
12	Intangible assets	128,597	113,428	102,608
14	Investment property	-	11,134	11,275
15	Deferred income tax assets	5,933	13,738	7,209
20	Other financial assets	1,876	2,637	2,361
	Non-current assets	**146,292**	**155,891**	**138,380**
16	Inventories	1,325	2,000	2,695
17	Trade and other receivables	62,289	59,028	57,486
	Current income tax assets	-	-	1,490
21	Financial assets - derivative financial instruments	-	-	1,127
20	Other financial assets	830	-	-
22	Cash and cash equivalents	35,765	47,088	42,854
	Current assets	**100,209**	**108,116**	**105,652**
	Total assets	**246,501**	**264,007**	**244,032**
18	Trade and other liabilities	(13,910)	(15,316)	(10,296)
23	Financial liabilities - borrowings	(119,744)	(53,806)	(48,939)
15	Deferred income tax liabilities	(8,366)	(6,018)	(2,862)
26	Retirement benefit obligations	(11,727)	(43,459)	(15,751)
25	Provisions for other liabilities and charges	(5,704)	-	-
	Other liabilities	(4,067)	(8,660)	(8,886)
	Non-current liabilities	**(163,518)**	**(127,259)**	**(86,734)**
18	Trade and other liabilities	(131,044)	(137,388)	(138,987)
23	Financial liabilities - borrowings	(13,049)	(10,239)	(9,177)
21	Financial liabilities - derivative financial instruments	(1,104)	(2,348)	-
	Current income tax liabilities	(14,429)	(10,023)	(10,983)
25	Provisions for other liabilities and charges	-	-	(3,021)
	Other liabilities	(627)	(646)	(602)
	Current liabilities	**(160,253)**	**(160,644)**	**(162,770)**
	Total liabilities	**(323,771)**	**(287,903)**	**(249,504)**
2	**Net liabilities**	**(77,270)**	**(23,896)**	**(5,472)**
	Equity			
27	Share capital	1,260	1,260	1,260
28	ESOP shares	(2,480)	(2,519)	(2,302)
29	Treasury shares	(188,823)	-	-
	Translation reserve	(6,715)	(3,887)	(4,529)
	Retained earnings	119,488	(18,750)	99
	Total equity	**(77,270)**	**(23,896)**	**(5,472)**

The consolidated financial statements were approved by the Board of directors and authorised for issue on June 14th 2016. They were signed on its behalf by:

Rupert Pennant-Rea
Chris Stibbs
Directors

The Economist Newspaper Limited registered number 236383

Consolidated statement of changes in equity

Year ended March 31st 2016

	Equity attributable to equity holders of the company					
	Share capital £000	ESOP shares £000	Treasury shares £000	Translation reserve £000	Retained earnings £000	Total equity £000
At April 1st 2015	**1,260**	**(2,519)**	**-**	**(3,887)**	**(18,750)**	**(23,896)**
Profit for the year	-	-	-	-	151,069	151,069
Other comprehensive income	-	-	-	(2,828)	24,031	21,203
Total comprehensive income	-	-	-	(2,828)	175,100	172,272
Purchase of treasury shares	-	-	(188,823)	-	-	(188,823)
Net sale of own shares	-	39	-	-	-	39
Dividends	-	-	-	-	(36,862)	(36,862)
At March 31st 2016	**1,260**	**(2,480)**	**(188,823)**	**(6,715)**	**119,488**	**(77,270)**

Year ended March 31st 2015

	Equity attributable to equity holders of the company					
	Share capital £000	ESOP shares £000	Treasury shares £000	Translation reserve £000	Retained earnings £000	Total equity £000
At April 1st 2014 - as reported under UK GAAP	**1,260**	**(2,302)**	**-**	**(4,529)**	**1,052**	**(4,519)**
Profit for the year	-	-	-	-	45,311	45,311
Other comprehensive expense	-	-	-	642	(23,269)	(22,627)
Total comprehensive income	-	-	-	642	22,042	22,684
Net purchase of own shares	-	(217)	-	-	-	(217)
Dividends	-	-	-	-	(40,891)	(40,891)
Prior year adjustment on first time adoption of IFRS	-	-	-	-	(953)	(953)
At March 31st 2015 - as restated under IFRS	**1,260**	**(2,519)**	**-**	**(3,887)**	**(18,750)**	**(23,896)**

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	2016 £000	2015 £000
Cashflows from operating activities		
Operating profit - continuing businesses	60,660	59,369
Operating profit - discontinued businesses	4,823	4,294
Depreciation, amortisation and impairment charges	3,994	3,263
Acquisition costs	226	73
Inventories	676	803
Trade and other receivables	(2,526)	2,901
Trade and other liabilities	(16,330)	(4,883)
Retirement benefit obligations	(3,072)	(1,518)
Provisions	-	(776)
Cash generated from operations	**48,451**	**63,526**
Income taxes paid	(8,589)	(9,574)
Net cash generated from operating activities	**39,862**	**53,952**
Investing activities		
Interest received	30	-
Purchase of intangible assets	(5,185)	(948)
Purchase of property, plant and equipment	(2,519)	(2,130)
Proceeds from sale of property, plant and equipment	79,038	-
Proceeds from sale of investment property	41,250	-
Purchase of subsidiary undertakings, net of cash acquired	(3,322)	(1,063)
Net cash generated from/(used in) investing activities	**109,292**	**(4,141)**
Financing activities		
Dividends paid	(36,862)	(40,891)
Interest paid	(6,164)	(4,811)
Sale/(purchase) of own shares	39	(217)
Payment of acquisition deferred consideration	-	(2,245)
Purchase of treasury shares	(188,349)	-
Proceeds from borrowings	137,511	36,459
Repayment of borrowings	(67,306)	(37,000)
Finance lease principal payments	(1)	(2)
Net cash used in financing activities	**(161,132)**	**(48,707)**
Effects of exchange rate changes on cash and cash equivalents	655	3,130
Net (decrease)/increase in cash and cash equivalents	(11,323)	4,234
Cash and cash equivalents at the beginning of the year	47,088	42,854
Cash and cash equivalents at the end of the year	**35,765**	**47,088**

Consolidated cashflow statement (continued)

Year ended March 31st	2016	2015
	£000	£000
Net debt		
Net debt at beginning of the year	(16,957)	(15,262)
Net (decrease)/increase in cash and cash equivalents	(11,323)	4,234
Proceeds from borrowings	(137,511)	(36,459)
Repayment of borrowings	67,307	37,002
Loan issue costs	683	-
Other non-cash changes	2,352	(23)
Effect of foreign exchange rate movements	(1,579)	(6,449)
Net debt at the end of the year	**(97,028)**	**(16,957)**
Net debt comprises:		
Cash at bank and in hand	35,765	47,088
Bank overdrafts	-	-
Total cash and cash equivalents	35,765	47,088
Borrowings	(132,793)	(64,045)
Total net debt	**(97,028)**	**(16,957)**

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, conferences, marketing services and the letting of property.

The company is a private limited company incorporated and domiciled in England. The address of its registered office is 25 St James's Street, London, SW1A 1HG.

These consolidated financial statements were approved for issue by the board of directors on June 14th 2016.

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 IFRS and IFRS Interpretations Committee 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.

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

The Group has not adopted early the following new pronouncements that are not yet effective:

IFRS 9 "Financial Instruments", effective for annual reporting periods beginning on or after January 1st 2018. The new standard details the requirements for the classification, measurement and recognition of financial assets and liabilities. The Group is yet to assess the full impact of IFRS 9.

IFRS 15 "Revenue from Contracts and Customers", effective for annual reporting periods beginning on or after January 1st 2018. The new standard specifies how and when an entity will recognise revenue, and requires more detailed disclosure. Adoption of the new standard is likely to have an impact on the Group and management is currently assessing the impact.

IFRS16 "Leases", effective for annual reporting periods beginning on or after January 1st 2019. The new standard details the requirements for the classification, measurement and recognition of lease arrangements. Adoption of the new standard is likely to have an impact on the Group and management is currently assessing the impact.

In June 2015 the IASB issued an exposure draft ED/2015/5 "Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan (Proposed Amendments to IAS 19 and IFRIC 14)". Management is currently evaluating these proposals and although they have not yet been finalised, it should be noted that the current draft, if adopted, may restrict the Group's ability to recognise a pension asset in respect of pension surpluses in its UK defined-benefit pension plan. In addition, the current draft may require certain elements of committed minimum funding contributions to be recognised as a liability on the balance sheet.

2. Critical accounting assumptions and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. 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:

- Consolidation: business combinations – determination of fair values (notes 1b and 33)
- Intangible assets: goodwill (notes 1e and 12)
- Intangible assets: acquired customer lists and contracts (notes 1e and 12)
- Taxation (note 1L)
- Employee benefits: pensions (notes 1m and 26)
- Employee benefits: share-based payments (notes 1m and 10).

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 costs 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 are recorded as goodwill. See note e 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 $1.51 (2015: $1.61) and the year-end rate was $1.44 (2015: $1.48).

d. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. 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) Buildings (leasehold): over the period of the lease.

ii) Improvements to investment property: over the period of the lease.

iii) 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 to 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. A description of the key assumptions and sensitivities is included in note 12. Goodwill is allocated to aggregated cash-generating units for the purpose of impairment testing. The allocation is made to those aggregated cash-generating units 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 a capitalised 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 eight 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 eight years.

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 two and twenty 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.

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 income 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 income 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 measured at each balance-sheet date. The fair value of derivatives is determined by using market data and 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 are 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.

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 income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income 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 income 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 utilised.

Deferred income tax is provided in respect of the undistributed earnings of subsidiaries other than where it is intended that those undistributed earnings will not be remitted in the foreseeable future.

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 the 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 income taxes in numerous jurisdictions. Significant judgment is required in determining the estimates in relation to the worldwide provision of income 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 together with any future tax-planning strategies.

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 use judgment to determine the level of refunds available from the plan in recognising an asset.

The determination of the pension cost and defined-benefit obligation of the Group's defined-benefit pension schemes depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity.

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.

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 cash-settled share-based payments in accordance with its long-term incentive scheme arrangements. 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 is spread over the vesting period of the award. The fair value of the options granted is measured and updated using an option-pricing model that is most appropriate to the award. The key assumptions used in calculating the fair value of the awards are the discount rate, the Group's share-price volatility, dividend yield, risk-free rate of return and expected option life. These assumptions are set out in note 10. 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. In addition to the key assumptions above, the value of the awards is dependent upon the future profits of the Group and the Group's relative market performance, which management is required to estimate. 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, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are discounted to present value where the effect is material.

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

The Group recognises a provision for onerous lease contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. The provision is based on the present value of future payments for surplus leased properties under non-cancellable operating leases, net of estimated subleasing income.

o. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of circulation, subscriptions, advertising, sponsorship, research, marketing services, delegate fees and rent net of sales tax, rebates and discounts, and after eliminating sales within the Group.

Circulation and advertising revenue relating to a newspaper or other publication is recognised on the date of publication, or, in the case of free publications, the date of dispatch. Subscription revenue, whether from print circulation, digital or online, is recognised in the income statement over the period of the subscription. Sponsorship and delegate revenue arising in the year relating to future events is deferred until those events have taken place.

Research revenue is derived from sales of economic, industry and management research products to clients. This revenue is accrued or deferred and recognised over the contract term in line with milestones or on delivery of the final product in accordance with the contract.

Where a contractual arrangement consists of two or more separate elements than can be provided to customers either on a stand-alone basis or as an optional extra, such as the provision of supplementary materials or online access, revenue is recognised for each element as if it were an individual contractual arrangement.

Revenue from multi-year contractual arrangements, such as licensing and second rights contracts or access to business information, is recognised as performance occurs. The assumptions, risks and uncertainties inherent in long-term contract accounting can affect the amounts and timing of revenue and related expenses reported. Certain of these arrangements, either as a result of a single service spanning more than one reporting period or where the contract requires the provision of a number of services that together constitute a single project, are treated as long-term contracts with revenue recognised on a percentage of completion basis. Percentage of completion is calculated in line with contract terms. Losses on contracts are recognised in the period in which the loss first becomes foreseeable. Contract losses are determined to be the amount by which estimated total costs of the contract exceed the estimated total revenue that will be generated by the contract.

On certain contracts for the sale of digital editions of *The Economist*, where the Group acts as agent, only commission 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.

p. Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in financial liabilities - borrowings. The interest element of the finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases which are a significant portion of the risks and rewards of ownership are retained by the lessor or classified as operating leases by the lessee. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

q. Dividends

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

r. Assets and liabilities held for sale

Assets and liabilities are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if it is highly probable that the carrying amount will be recovered principally through a sale transaction rather than through continuing use. No depreciation is charged in respect of non-current assets classified as held for sale. Amounts relating to non-current assets and liabilities held for sale are classified as discontinued operations in the income statement where appropriate.

s. Trade receivables

Trade receivables are stated at fair value after provision for bad and doubtful debts and anticipated future sales returns.

t. Investment property

Land and buildings that are leased to non-Group entities are classified as investment property. The Group measures investment property at its cost less accumulated depreciation and impairment losses. Depreciation is provided, on a straight-line basis, to write off the cost of investment property over its estimated useful life. The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at each balance-sheet date. The carrying amounts of the Group's investment property are reviewed at each balance-sheet date to determine whether there is any indication of impairment in accordance with the policy shown in d above.

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 three business divisions: The Economist Businesses; Economist Intelligence Unit; CQ Roll Call. Following the disposal of The Economist Complex during the year to March 31st 2016, the Group's external property business has been reclassified from other businesses to discontinued operations. 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.

NOTE 2 Segment information (continued)

	Revenue		Operating profit	
	2016	2015	2016	2015
Analysis by business	£000	£000	£000	£000
The Economist Businesses	230,029	229,837	30,296	33,590
The Economist Intelligence Unit	52,146	48,306	16,334	13,522
CQ Roll Call	48,728	46,308	14,030	12,257
	330,903	324,451	60,660	59,369

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

	Revenue		Profit before tax		Net (liabilities)/assets	
	2016	2015	2016	2015	2016	2015
Analysis by origin of legal entity	£000	£000	£000	£000	£000	£000
United Kingdom	192,788	193,379	31,595	29,873	(33,858)	9,441
Continental Europe	-	4,851	560	1,261	(105,319)	(106,912)
Middle East and Africa	506	-	76	-	69	-
North America	121,247	112,052	17,710	18,585	46,722	60,785
South America	145	36	(14)	24	50	101
Asia	16,217	14,133	4,206	4,104	15,066	12,689
	330,903	324,451	54,133	53,847	(77,270)	(23,896)

	2016	2015
Revenue by customer location	£000	£000
United Kingdom	54,627	56,880
North America	161,829	150,773
Continental Europe	48,750	55,450
Asia	46,483	46,554
Other	19,214	14,794
	330,903	324,451

NOTE 3 Discontinued operations

Discontinued operations relate to the Group's former external property business. An analysis of the results and cashflows of discontinued operations is as follows:

	2016	2015
	£000	£000
Revenue	3,760	3,818
Operating profit	4,823	4,294
Finance costs	(191)	(208)
Profit before tax	4,632	4,086
Income tax	(908)	(805)
Profit after tax	3,724	3,281
Profit on disposal of the Economist Complex	109,557	-
Attributable tax	(5,706)	-
Profit for the year from discontinued operations	107,575	3,281
Operating cashflows	4,163	4,874
Investing cashflows	120,288	(13)
Financing cashflows	(191)	(208)
Total cashflows	124,260	4,653

NOTE 4 Operating expenses

By function:	2016 £000	2015 £000
Other product costs	29,780	31,123
Distribution and fulfillment	33,037	31,300
Employee benefit costs	109,484	105,318
Contract labour	17,010	14,001
Employee related expenses	7,257	7,392
Promotional costs	36,490	35,500
Depreciation of property, plant and equipment	2,531	2,385
Amortisation of acquired intangible assets	171	21
Amortisation of software and other intangibles	1,121	623
Property and facilities	6,107	6,588
Technology and communications	10,004	8,730
Professional and outsourced services	8,670	9,631
Other general and administrative costs	983	757
Acquisition costs	226	73
Operating lease charges	8,858	7,784
Foreign exchange (gain)/loss	(1,214)	4,176
Other net gains	(272)	(320)
Total costs	270,243	265,082

During the year the Group obtained the following services from the Group's auditors:	2016 £000	2015 £000
The audit of parent company and consolidated financial statements	248	135
The audit of the company's subsidiaries	339	326
Total audit fees	587	461
Other assurance services	124	48
Tax compliance services	105	130
Tax advisory services	30	-
Other services	86	131
Total non-audit services	345	309
Total Group auditors' remuneration	932	770

NOTE 5 Employee information

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

		2016		2015
	Average	Year-end	Average	Year-end
The Economist Businesses	803	796	751	755
The Economist Intelligence Unit	313	331	299	300
CQ Roll Call	247	245	266	255
Continuing operations	1,363	1,372	1,316	1,310

The details of directors' emoluments are shown in table 2, page 25, within the directors' report on remuneration.

	2016	2015
Employee benefit costs including directors' emoluments	£000	£000
Wages and salaries	92,935	90,970
Social security costs	8,084	7,959
Share-based payment costs	1,500	733
Retirement benefits - defined-benefit plans	3,111	2,466
Retirement benefits - defined-contribution plans	4,169	3,538
	109,799	105,666

Wages and salaries include £2,046,000 (2015: £1,421,000) of restructuring-related costs.

The employee benefit cost relating to discontinued operations was £315,000 (2015: £348,000) and the average number employed was seven (2015: seven).

NOTE 6 Net finance costs

	2016	2015
	£000	£000
Interest receivable	923	44
Finance income	923	44
Interest payable on bank loans and overdrafts	(1,084)	(293)
Amortisation of issue costs of bank loan	(184)	(86)
Movements in acquisition deferred consideration	(376)	-
Net finance costs in respect of retirement benefits	(1,370)	(607)
Interest payable on other loans	(3,981)	(3,942)
Other finance charges	(455)	(638)
Finance costs	(7,450)	(5,566)
Net finance costs	(6,527)	(5,522)

NOTE 7 Income tax

	2016	2015
Current tax expense	£000	£000
UK corporation tax expense	5,319	8,389
Foreign tax expense	1,468	2,729
Adjustment in respect of prior years	(100)	(517)
	6,687	10,601
Deferred tax expense		
Current year	4,931	1,831
Adjustments in respect of prior years	(979)	(615)
	3,952	1,216
Total tax expense in income statement	10,639	11,817
Effective tax rate	20%	22%

The UK corporation tax rate for the year is 20% (2015: 21%). 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:

	2016	2015
	£000	£000
Profit before tax	54,133	53,847
Tax calculated at UK rate of 20% (2015: 21%)	10,827	11,308
Factors affecting the tax charge:		
Disallowed expenditure	416	1,153
Non-taxable income	(29)	-
Different tax rates of subsidiaries operating in overseas jurisdictions	1,201	846
US state taxes	17	(175)
Goodwill and intangibles	-	937
Impact of Group financing	(1,653)	(1,634)
Utilisation of previously unrecognised tax losses and credits	(4)	(4)
Other	630	374
Adjustments in respect of prior years	(1,079)	(1,132)
Effect of change in tax rates on deferred tax	313	144
Total tax expense for the year	10,639	11,817
UK	6,663	8,487
Overseas	3,976	3,330
Total tax expense	10,639	11,817

NOTE 7 Income tax (continued)

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

	2016 £000	2015 £000
Current tax	-	-
Deferred tax (note 15)	(6,008)	5,817
	(6,008)	5,817

A tax charge of £6,614,000 (2015: £805,000) relates to discontinued operations.

NOTE 8 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.

	2016 £000	2015 £000
Profit for the year from continuing operations	43,494	42,030
Profit for the year from discontinued operations	107,575	3,281
Profit for the year	151,069	45,311
Adjustment in respect of non-operating exceptional items		
- Profit on sale of business	(109,557)	-
- Attributable taxation	5,706	-
Normalised earnings	47,218	45,311

	000s	000s
Weighted average number of shares	23,816	25,006
Effect of dilutive share options (restricted share scheme units)	149	77
Weighted average number of shares for diluted earnings	23,965	25,083

The number of shares used to calculate earnings per share excludes shares held by the ESOP and in treasury.

NOTE 8 Earnings per share (continued)

	2016 Pence	2015 Pence
Earnings per share from continuing and discontinued operations		
Basic	634.3	181.2
Diluted	630.4	180.6
Earnings per share from continuing operations		
Basic	182.6	168.1
Diluted	181.5	167.6
Earnings per share from discontinued operations		
Basic	451.7	13.1
Diluted	448.9	13.1
Normalised earnings per share (before profit on sale of businesses)		
Basic	198.3	181.2
Diluted	197.0	180.6

NOTE 9 Dividends

Cash dividends paid	2016 £000	2015 £000
Final dividend for previous year of 99.2p per share (2015: 94.0p per share)	24,798	23,506
First interim paid of 53.6p per share (2015: 45.7p per share)	12,064	11,432
No special dividend paid (2015: 23.8p per share)	-	5,953
	36,862	40,891

All shareholders other than holders of trust and treasury shares (see notes 27 and 29) receive the above dividend per share. Dividends amounting to £304,000 (2015: £311,000) in respect of the company's shares held by the ESOP (note 28) have been deducted in arriving at the aggregate of dividends paid.

Dividends proposed in respect of the year	2016 £000	2015 £000
Interim dividend paid of 53.6p per share (2015: 45.7p per share)	12,064	11,432
No special dividend paid (2015: 23.8p per share)	-	5,953
Final dividend proposed of 129.8p per share (2015: 99.2p per share)	25,908	24,798
	37,972	42,183

The directors are proposing a final dividend in respect of the financial year ending March 31st 2016 of 129.8p. Dividends amounting to £259,000 in respect of the company's shares held by the ESOP have been deducted in arriving at the total dividend proposed of £25,908,000. The proposed final dividend is subject to approval by shareholders and has not been recognised as a liability in these financial statements.

NOTE 10 Share-based payments

The Group's total charge/(credit) recognised with respect to share-based payment transactions comprised:

	2016	2015
	£000	£000
Long-term incentive plan (cash settled)	(496)	(348)
Restricted share scheme (cash or share settled)	1,996	1,081
	1,500	733

Share-based payment charges included in discontinued operations amounted to £nil (2015: £nil).

The total carrying value of share-based payment transactions is:

	2016	2015	2014
	£000	£000	£000
Long-term incentive plan (cash settled)	-	496	845
Restricted share scheme (cash or equity settled)	2,853	1,572	1,718
	2,853	2,068	2,563

Analysed as:

	2016	2015	2014
	£000	£000	£000
Current liabilities	1,368	528	1,247
Non-current liabilities	1,485	1,540	1,316
	2,853	2,068	2,563

The Group operates the following share-based payment incentive schemes:

Long-term incentive plan (LTIP) - discontinued

Until 2013-14, units were granted to executive directors and senior employees. These awards were taken in cash form only after three years with the last award vesting at March 31st 2016. The value of the award is based on share price, the earnings per share compound annual growth rate and the Group's total shareholder return (TSR) compared with a group of selected comparator companies over the period of the scheme.

The fair values of the long-term schemes were calculated in prior years by using a Black Scholes option-pricing model, except for the schemes including a TSR ranking performance condition where a Monte Carlo model was used. The inputs to the models were as follows:

	2016	2015	2014
Fair value (£)	-	1.34	2.03
Weighted average share price (£)	33.29	29.28	27.26
Weighted average exercise price (£)	26.00	26.00	25.51
Expected volatility (%)	n/a	26	30
Expected life (months)	-	12	18
Risk-free rate (%)	n/a	0.3	0.6
Expected dividend yield (%)	n/a	4.6	4.5
Forfeiture rate (%)	n/a	10.0	5.0

NOTE 10 Share-based payments (continued)

The expected volatility was determined by calculating the historical volatility of the Group's share price over the previous ten years and by calculating the historical TSR volatility of the comparator group over the relevant life of the schemes. Dividends were included in the fair value calculation or were invested as additional units.

The number and weighted average fair value of units granted under the Group's former executive long-term plan are as follows:

	2016		2015	
	No. of units	Weighted average fair value (£)	No. of units	Weighted average fair value (£)
Outstanding at beginning of year	550,737	1.34	993,291	2.03
Granted during the year	4,529	-	10,300	1.31
Forfeited during the year	(35,010)	-	(129,006)	(1.42)
Expired during the year	(271,259)	-	(323,848)	-
Outstanding at end of year	248,997	-	550,737	1.34
Options exercisable at end of year	248,997	-	271,259	-

The units outstanding at the end of the year had no remaining weighted average contractual lives (2015: 12 months).

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 two 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.

	2016		2015	
Restricted share scheme	No. of options	Weighted average share price (£)	No. of options	Weighted average share price (£)
Outstanding at the beginning of the year	76,750	31.05	69,000	29.89
Granted during the year	95,500	33.93	51,000	30.31
Forfeited during the year	-	-	(7,500)	(29.61)
Exercised during the year	(23,000)	(28.48)	(35,750)	(30.62)
Outstanding at the end of the year	149,250	34.78	76,750	31.05
Exercisable at the year-end	24,750	36.46	15,000	30.95

The weighted average remaining contractual life for outstanding options at March 31st 2016 was 20 months (2015: 16 months).

NOTE 11 Property, plant and equipment

	Leasehold buildings		Plant and		
	Long	Short	machinery	Equipment	Total
Cost	£000	£000	£000	£000	£000
At April 1st 2014	12,255	5,346	1,997	27,207	46,805
Additions	-	491	-	1,538	2,029
Disposals	-	-	(1,021)	(62)	(1,083)
Exchange differences	400	245	-	787	1,432
At March 31st 2015	12,655	6,082	976	29,470	49,183
Additions	-	418	-	1,624	2,042
Disposals	-	(1,182)	-	-	(1,182)
Disposal through business disposal	(9,073)	-	-	(515)	(9,588)
Exchange differences	94	73	-	230	397
At March 31st 2016	3,676	5,391	976	30,809	40,852

	Leasehold buildings		Plant and		
	Long	Short	machinery	Equipment	Total
Accumulated depreciation	£000	£000	£000	£000	£000
At April 1st 2014	5,099	1,937	1,997	22,845	31,878
Charge for the year	357	415	-	1,706	2,478
Disposals	-	-	(1,021)	(62)	(1,083)
Exchange differences	94	202	-	660	956
At March 31st 2015	5,550	2,554	976	25,149	34,229
Charge for the year	384	545	-	1,720	2,649
Disposals	-	(1,182)	-	-	(1,182)
Disposal through business disposal	(4,512)	-	-	(499)	(5,011)
Exchange differences	29	54	-	198	281
At March 31st 2016	1,451	1,971	976	26,568	30,966
Carrying amounts:					
April 1st 2014	7,156	3,409	-	4,362	14,927
March 31st 2015	7,105	3,528	-	4,321	14,954
March 31st 2016	2,225	3,420	-	4,241	9,886

Depreciation expense of £146,000 (2015: £90,000) has been included in the income statement in cost of sales and £2,503,000 (2015: £2,388,000) in administrative costs. In 2016 £171,000 (2015: £234,000) relates to discontinued operations.

The Group leases certain assets under finance lease arrangements. The net carrying amount of assets included within property, plant and equipment and held under finance leases was £nil (2015: £1,541,000, 2014: £1,557,000).

NOTE 12 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 2014	133,781	-	-	6,471	-	140,252
Additions	-	-	1,125	1,238	-	2,363
Exchange differences	11,936	-	31	374	-	12,341
At March 31st 2015	145,717	-	1,156	8,083	-	154,956
Additions	7,087	510	534	1,978	3,482	13,591
Exchange differences	3,471	46	36	95	-	3,648
At March 31st 2016	156,275	556	1,726	10,156	3,482	172,195

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 2014	32,194	-	-	5,450	-	37,644
Charge for the year	-	-	21	623	-	644
Exchange differences	2,918	-	-	322	-	3,240
At March 31st 2015	35,112	-	21	6,395	-	41,528
Charge for the year	-	46	125	1,121	-	1,292
Exchange differences	692	-	1	85	-	778
At March 31st 2016	35,804	46	147	7,601	-	43,598
Carrying amounts:						
April 1st 2014	101,587	-	-	1,021	-	102,608
March 31st 2015	110,605	-	1,135	1,688	-	113,428
March 31st 2016	120,471	510	1,579	2,555	3,482	128,597

NOTE 12 Intangible assets (continued)

Goodwill

The goodwill carrying value of £120,471,000 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). 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%, 1.5% higher than the company’s derived weighted average cost of capital (WACC) of 9.0%;
- long-term nominal growth of between -1% and 5%, depending on the maturity of the business.

Following the impairment review, there are no impairment losses recognised in the income statement in respect of goodwill.

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 only significant item of goodwill included in the net book value relates to CQ Roll Call. Using the above methodology, a pre-tax discount rate of 10.5% and a long-term growth rate of 4%, the recoverable amount exceeded the total carrying value by £88,767,000. The directors performed a sensitivity analysis on the total carrying value of this CGU. For the recoverable amount to fall to the carrying value the discount rate would need to be increased to 19.4% or the long-term profitability would need to decline by 15% per year.

The cumulative goodwill written off to the income statement by the Group is £17,943,000 (2015: £17,943,000) and arises mainly from the purchase of Business International in 1988, and Roll Call, Inc in 1992 and 1993. A portion of the goodwill relating to the acquisition of CFO Publishing Corporation (USA) in 1988, and previously written off to reserves, was credited following the sale of the business in 2010.

Other intangible assets

Other intangibles include licences, 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 13 Investments

At March 31st 2016, the Group had a 28.31% interest in the equity of CFO Publishing Holdings Inc, which is incorporated in the US (CFO). The interest was retained on the partial disposal of its CFO business in 2010. The Group did not have the ability to exercise significant influence nor was it involved in the day-to-day running of CFO. As such the investment in CFO is accounted for as an asset available-for-sale with a carrying value of £nil (2015: £nil). On May 2nd 2016, the Group disposed of its interest in CFO for pre-tax sales proceeds of £3,198,000.

NOTE 14 Investment property

Investment property represented the portion of the Group's property interest subleased to external tenants in St James's, London. The Group sold its interest in the property in March 2016.

Cost	£000
At April 1st 2014 and 2015	24,415
Disposals	(24,415)
At March 31st 2016	-

Depreciation	£000
At April 1st 2014	13,140
Charge for the year	141
At March 31st 2015	13,281
Charge for the year	53
Disposals	(13,334)
At March 31st 2016	-

Carrying amounts:	
April 1st 2014	11,275
March 31st 2015	11,134
March 31st 2016	-

The fair value of the Economist Complex amounted to £100,400,000 at March 31st 2015 and £88,500,000 at March 31st 2014. The fair value of the portion of the Economist Complex classified as investment property amounted to £32,900,000 at March 31st 2015 and £29,500,000 at March 31st 2014.

NOTE 15 Deferred income tax

	2016	2015	2014
	£000	£000	£000
Deferred income tax assets	5,933	13,738	7,209
Deferred income tax liabilities	(8,366)	(6,018)	(2,862)
	(2,433)	7,720	4,347

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

Deferred income tax assets and liabilities may be offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. At March 31st 2016 the Group had unrecognised deferred income tax assets of £389,000 (2015: £434,000) in respect of trading and capital 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 income tax account is as follows:

	2016	2015
	£000	£000
At April 1st	7,720	4,347
Exchange differences	(216)	(15)
Charge to the income statement	(3,639)	(1,072)
Charge/(credit) to other comprehensive income	(6,008)	5,817
Other transfers	23	(1,213)
Effect of change in tax rates	(313)	(144)
At March 31st	(2,433)	7,720

The charge to the income statement includes a credit of £25,000 (2015: £6,000 credit) relating to discontinued operations.

NOTE 15 Deferred income tax (continued)

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

Deferred income tax assets	Trading losses £000	Retirement benefit obligations £000	Other £000	Total £000
At April 1st 2014	399	3,311	3,499	7,209
Exchange differences	-	-	18	18
Credit to income statement	208	1,250	593	2,051
Credit to other comprehensive income	-	5,817	-	5,817
Other transfers	-	(1,542)	329	(1,213)
Effect of change in tax rates	-	(144)	-	(144)
At March 31st 2015	607	8,692	4,439	13,738
Exchange differences	-	-	19	19
Charge to income statement	(280)	(339)	(907)	(1,526)
Charge to other comprehensive income	-	(6,008)	-	(6,008)
Other transfers	-	-	23	23
Effect of change in tax rates	-	(235)	(78)	(313)
At March 31st 2016	327	2,110	3,496	5,933

Other deferred income tax assets include temporary differences on share-based payments, capital allowances and other provisions.

Deferred income tax liabilities	Goodwill and intangibles £000	Other £000	Total £000
At April 1st 2014	(2,238)	(624)	(2,862)
Exchange differences	(33)	-	(33)
Charge to income statement	(2,978)	(145)	(3,123)
At March 31st 2015	(5,249)	(769)	(6,018)
Exchange differences	(235)	-	(235)
Charge to income statement	(1,890)	(223)	(2,113)
At March 31st 2016	(7,374)	(992)	(8,366)

Other deferred income tax liabilities include temporary differences in respect of deferred consideration in the US.

Changes to the UK main corporation tax rate from 20% (effective on April 1st 2017) to 18% (effective from April 1st 2020) were substantively enacted on October 26th 2015. 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 16 Inventories

	2016 £000	2015 £000	2014 £000
Raw materials	432	463	1,142
Work-in-progress	842	1,483	1,513
Finished goods	51	54	40
	1,325	2,000	2,695

None of the inventory is pledged as security.

NOTE 17 Trade and other receivables

Current	2016 £000	2015 £000	2014 £000
Trade receivables	40,246	40,766	41,895
Other receivables	4,176	2,437	1,945
Prepayments and accrued income	17,867	15,825	13,646
	62,289	59,028	57,486

Trade receivables are stated at fair value, net of provisions for bad and doubtful debts and anticipated future sales returns. The movements on the provision for bad and doubtful debts are as follows:

	2016 £000	2015 £000
At April 1st	1,079	1,364
Income statement movements	579	501
Utilised	(643)	(825)
Exchange differences	5	39
	1,020	1,079

The ageing of the Group's trade receivables which are not impaired is as follows:

	2016 £000	2015 £000	2014 £000
Within the due date	26,089	26,806	25,903
Past due less than a month	9,150	10,001	12,128
Past due more than a month but less than two months	4,617	4,172	4,506
Past due more than two months but less than three months	2,578	2,036	2,406
Past due more than three months	1,255	1,287	1,081
Total trade receivables	43,689	44,302	46,024
Less: provision for sales returns	(3,443)	(3,536)	(4,129)
Net trade receivables	40,246	40,766	41,895

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group has not provided for these trade receivables as there has been no significant change in their credit quality and the amounts are still considered recoverable. These relate to a number of independent customers for whom there is no recent history of default.

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

NOTE 18 Trade and other liabilities

Current	2016 £000	2015 £000	2014 £000
Trade payables	14,693	14,580	14,323
Social security and other taxes	864	1,867	2,438
Accruals	18,284	20,760	25,941
Liability for share-based payments	1,368	528	1,247
Deferred income	92,982	97,125	91,568
Other liabilities	2,853	2,528	3,470
	131,044	137,388	138,987
Non-current			
Accruals	-	1,306	218
Liability for share-based payments	1,485	1,540	1,316
Deferred income	12,425	12,470	8,762
	13,910	15,316	10,296
Total	144,954	152,704	149,283

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*, Economist Intelligence Unit and CQ Roll Call products and services, and revenue billed in advance for future events, research and consultancy projects not yet delivered.

NOTE 19 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:

2016

		Fair value		Amortised cost			
NOTE		Derivatives deemed held for trading £000	Derivatives in hedging relationships £000	Loans and receivables £000	Other liabilities £000	Total carrying value £000	Total market value £000
20	Loan notes	-	-	2,706	-	2,706	2,706
22	Cash and cash equivalents	-	-	35,765	-	35,765	35,765
17	Trade receivables	-	-	40,246	-	40,246	40,246
	Total financial assets	-	-	78,717	-	78,717	78,717
21	Derivative financial instruments	-	(1,104)	-	-	(1,104)	(1,104)
18	Trade payables	-	-	-	(14,693)	(14,693)	(14,693)
25	Deferred consideration	-	-	-	(5,704)	(5,704)	(5,704)
23	Bank loans	-	-	-	(73,816)	(73,816)	(74,430)
23	Borrowings due within one year	-	-	-	(9,755)	(9,755)	(9,843)
23	Borrowings due after more than one year	-	-	-	(49,222)	(49,222)	(49,453)
	Total financial liabilities	-	(1,104)	-	(153,190)	(154,294)	(155,227)

2015

		Fair value		Amortised cost			
NOTE		Derivatives deemed held for trading £000	Derivatives in hedging relationships £000	Loans and receivables £000	Other liabilities £000	Total carrying value £000	Total market value £000
20	Loan notes	-	-	2,637	-	2,637	2,637
22	Cash and cash equivalents	-	-	47,088	-	47,088	47,088
17	Trade receivables	-	-	40,766	-	40,766	40,766
	Total financial assets	-	-	90,491	-	90,491	90,491
21	Derivative financial instruments	(2,348)	-	-	-	(2,348)	(2,348)
18	Trade payables	-	-	-	(14,580)	(14,580)	(14,580)
23	Bank loans	-	-	-	(4,165)	(4,165)	(4,165)
23	Borrowings due within one year	-	-	-	(9,504)	(9,504)	(9,592)
23	Borrowings due after more than one year	-	-	-	(50,376)	(50,376)	(50,699)
	Total financial liabilities	(2,348)	-	-	(78,625)	(80,973)	(81,384)

NOTE 19 Classification of financial instruments (continued)

		Fair value		Amortised cost			2014
NOTE		Derivatives deemed held for trading £000	Derivatives in hedging relationships £000	Loans and receivables £000	Other liabilities £000	Total carrying value £000	Total market value £000
20	Loan notes	-	-	2,361	-	2,361	2,361
22	Cash and cash equivalents	-	-	42,854	-	42,854	42,854
21	Derivative financial instruments	1,127	-	-	-	1,127	1,127
17	Trade receivables	-	-	41,895	-	41,895	41,895
	Total financial assets	1,127	-	87,110	-	88,237	88,237
18	Trade payables	-	-	-	(14,323)	(14,323)	(14,323)
25	Deferred consideration	-	-	-	(3,021)	(3,021)	(3,021)
23	Bank loans and overdrafts	-	-	-	(4,900)	(4,900)	(4,900)
23	Borrowings due within one year	-	-	-	(8,442)	(8,442)	(8,520)
23	Borrowings due after more than one year	-	-	-	(44,774)	(44,774)	(45,126)
	Total financial liabilities	-	-	-	(75,460)	(75,460)	(75,890)

Certain of the Group's derivative financial instruments are classified as held for trading either as they do not meet the hedge accounting criteria specified in IAS 39 "Financial Instruments: Recognition and Measurement" or as the Group has chosen not to seek hedge accounting for these instruments. None of these derivatives are held for speculative trading purposes. 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 24.

The Group designates certain qualifying financial instruments as hedges of the fair value of its US dollar cashflows (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.

The Group also designates certain of its 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 are effective) are recognised in other comprehensive income.

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

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 24.

NOTE 20 Other financial assets

	2016 £000	2015 £000	2014 £000
At start of the year	2,637	2,361	2,572
Exchange differences	69	276	(211)
At end of the year	2,706	2,637	2,361

Included as:	2016 £000	2015 £000	2014 £000
Current assets	830	-	-
Non-current assets	1,876	2,637	2,361
	2,706	2,637	2,361

Other financial assets comprises loan notes received in part consideration for the sale of the Group's majority interest in the trade and assets of CFO Publishing Corporation (USA). There are two loan notes for $1,200,000 and $2,700,000 bearing interest at 15% and 5% respectively. The loan notes are redeemable on January 11th 2017 and July 11th 2017.

NOTE 21 Derivative financial instruments

			2016
Forward foreign US dollar exchange contracts - current	Gross notional amounts £000	Assets £000	Liabilities £000
In a fair value hedge relationship	26,282	28	(1,132)
Not in a hedge relationship	-	-	-
	26,282	28	(1,132)

			2015
Forward foreign US dollar exchange contracts - current	Gross notional amounts £000	Assets £000	Liabilities £000
In a fair value hedge relationship	-	-	-
Not in a hedge relationship	34,753	-	(2,348)
	34,753	-	(2,348)

			2014
Forward foreign US dollar exchange contracts - current	Gross notional amounts £000	Assets £000	Liabilities £000
In a fair value hedge relationship	-	-	-
Not in a hedge relationship	36,721	1,133	(6)
	36,721	1,133	(6)

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 is diversified by maturity and counterparty and, until 2016, type. The Group discontinued the use of forward currency options and now relies on foreign-exchange forwards. From May 2015, 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. 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 22 Cash and cash equivalents

	2016 £000	2015 £000	2014 £000
Cash at bank and in hand	12,069	16,044	9,962
Short-term bank deposits	23,696	27,213	29,366
Continuing operations	35,765	43,257	39,328
Discontinued operations	-	3,831	3,526
	35,765	47,088	42,854

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 45% (2015: 71%, 2014: 42%), sterling 38% (2015: 20%, 2014: 46%), euro 7% (2015: 5%, 2014: 7%) and other 10% (2015: 4%, 2014: 5%).

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

NOTE 23 Financial liabilities: borrowings

The Group's current and non-current borrowings are as follows:

	2016 £000	2015 £000	2014 £000
Non-current			
8.53% loan note 2019-20 (nominal amount $12,500,000)	8,639	11,213	12,430
8.32% loan note 2019-20 (nominal amount $30,000,000)	20,714	26,894	29,832
4.89% loan note 2022-23 (nominal amount $14,500,000)	10,025	9,758	-
4.75% loan note 2023-24 (nominal amount $14,167,667)	9,844	-	-
Bank loans	70,522	3,430	4,165
Finance lease liabilities	-	2,511	2,512
	119,744	53,806	48,939
Current - due within one year or on demand			
8.53% loan note 2019-20 (nominal amount $4,166,667)	2,863	2,789	2,482
8.32% loan note 2019-20 (nominal amount $10,000,000)	6,892	6,714	5,959
4.89% loan note 2022-23 (nominal amount $nil)	-	-	-
4.75% loan note 2023-24 (nominal amount $nil)	-	-	-
Bank loans	3,294	735	735
Finance lease liabilities	-	1	1
	13,049	10,239	9,177
Total borrowings	132,793	64,045	58,116

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 24.

NOTE 23 Financial liabilities: borrowings (continued)

The maturity of the Group's non-current borrowings is as follows:

	2016	2015	2014
	£000	£000	£000
Between one and two years	9,619	12,934	9,177
Between two and five years	90,216	28,567	28,757
Over five years	19,909	12,305	11,005
	119,744	53,806	48,939

		2016		2015		2014	
	Effective interest rate %	Carrying value £000	Market value £000	Carrying value £000	Market value £000	Carrying value £000	Market value £000
8.53% loan note 2019-20 (nominal amount $16,666,667)	8.53	11,502	11,582	14,002	14,106	14,912	15,040
8.32% loan note 2019-20 (nominal amount $40,000,000)	8.32	27,606	27,796	33,608	33,855	35,791	36,093
4.89% loan note 2022-23 (nominal amount $14,500,000)	4.89	10,025	10,074	9,758	9,818	-	-
4.75% loan note 2023-24 (nominal amount $14,167,667)	4.75	9,844	9,844	-	-	-	-
Bank loans	n/a	73,816	74,430	4,165	4,165	4,900	4,900
Finance lease liabilities	4.27	-	-	2,512	2,512	2,513	2,513
		132,793	133,726	64,045	64,456	58,116	58,546

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

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2016	2015	2014
	£000	£000	£000
US dollar	58,977	57,368	50,703
Sterling	73,816	6,677	7,413
	132,793	64,045	58,116

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

	2016	2015	2014
	£000	£000	£000
Floating rate			
- expiring within one year	-	-	-
- expiring beyond one year	49,000	49,000	49,000
	49,000	49,000	49,000

Included in the above facilities, the Group has a UK overdraft facility which is used in the normal course of business and is subject to review in January 2020.

All of the Group's borrowings are unsecured.

NOTE 23 Financial liabilities: borrowings (continued)

The maturity profile of finance lease liabilities is as follows:

	2016	2015	2014
	£000	£000	£000
Not later than one year	-	1	1
Later than one year and not later than five years	-	6	6
Later than five years	-	2,505	2,506
Present value of finance lease liabilities	-	2,512	2,513

NOTE 24 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, short-term borrowings from banks and longer-term loans from banks, and through private debt placements. The Group borrows principally in sterling and US dollars at both floating and fixed 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 and forward 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 other than a decision to discontinue the use of forward currency options.

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 borrowings are in both sterling and US dollars. The Group's interest rate on its sterling borrowings is tied to LIBOR whereas the interest rate on its US dollar borrowings is fixed. The Group's exposure to interest rate fluctuations on its borrowings is managed by borrowing on a fixed-rate basis and by hedging interest rate exposures where appropriate. At March 31st 2016, there was no active hedging of interest rate exposures (2015: none).

NOTE 24 Financial risk management (continued)

Liquidity and refinancing risk management

The maturity of contracted cashflows associated with the Group's financial liabilities is 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.

				2016
	GBP	USD	Other	Total
	£000	£000	£000	£000
Not later than one year	11,432	(43,786)	(1,921)	(34,275)
Later than one year and not later than five years	(76,307)	(43,624)	-	(119,931)
Later than five years	-	(20,628)	-	(20,628)
	(64,875)	(108,038)	(1,921)	(174,834)
Analysed as:				
Derivative financial instruments - inflows	25,178	-	-	25,178
Derivative financial instruments - outflows	-	(26,282)	-	(26,282)
Deferred consideration	-	(7,157)	-	(7,157)
Trade payables	(8,754)	(4,018)	(1,921)	(14,693)
Bank loans	(81,299)	-	-	(81,299)
Borrowings	-	(70,581)	-	(70,581)
	(64,875)	(108,038)	(1,921)	(174,834)

				2015
	GBP	USD	Other	Total
	£000	£000	£000	£000
Not later than one year	20,230	(49,274)	(2,110)	(31,154)
Later than one year and not later than five years	(4,411)	(46,024)	-	(50,435)
Later than five years	(18,392)	(10,345)	-	(28,737)
	(2,573)	(105,643)	(2,110)	(110,326)
Analysed as:				
Derivative financial instruments - inflows	27,965	-	-	27,965
Derivative financial instruments - outflows	-	(30,313)	-	(30,313)
Trade payables	(6,695)	(5,775)	(2,110)	(14,580)
Bank loans	(4,295)	-	-	(4,295)
Borrowings	(19,548)	(69,555)	-	(89,103)
	(2,573)	(105,643)	(2,110)	(110,326)

NOTE 24 Financial risk management (continued)

	GBP £000	USD £000	Other £000	2014 Total £000
Not later than one year	22,466	(46,525)	(4,435)	(28,494)
Later than one year and not later than five years	(6,010)	(43,377)	-	(49,387)
Later than five years	(18,623)	(8,688)	-	(27,311)
	(2,167)	(98,590)	(4,435)	(105,192)
Analysed as:				
Derivative financial instruments - inflows	28,638	-	-	28,638
Derivative financial instruments - outflows	-	(27,511)	-	(27,511)
Deferred consideration	(1,349)	-	(1,672)	(3,021)
Trade payables	(4,551)	(7,009)	(2,763)	(14,323)
Bank loans	(5,123)	-	-	(5,123)
Borrowings	(19,782)	(64,070)	-	(83,852)
	(2,167)	(98,590)	(4,435)	(105,192)

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.

	GBP £000	USD £000	Other £000	2016 Total £000
Not later than one year	22,930	43,558	10,993	77,481
Later than one year and not later than five years	-	2,466	-	2,466
	22,930	46,024	10,993	79,947
Analysed as:				
Other financial assets (loan notes)	-	3,936	-	3,936
Cash and cash equivalents	13,710	16,074	5,981	35,765
Trade receivables	9,220	26,014	5,012	40,246
	22,930	46,024	10,993	79,947

	GBP £000	USD £000	Other £000	2015 Total £000
Not later than one year	18,418	60,902	8,534	87,854
Later than one year and not later than five years	-	3,836	-	3,836
	18,418	64,738	8,534	91,690
Analysed as:				
Other financial assets (loan notes)	-	3,836	-	3,836
Cash and cash equivalents	9,352	33,217	4,519	47,088
Trade receivables	9,066	27,685	4,015	40,766
	18,418	64,738	8,534	91,690

NOTE 24 Financial risk management (continued)

	GBP £000	USD £000	Other £000	2014 Total £000
Not later than one year	31,740	44,485	8,524	84,749
Later than one year and not later than five years	-	3,408	-	3,408
	31,740	47,893	8,524	88,157
Analysed as:				
Other financial assets (loan notes)	-	3,408	-	3,408
Cash and cash equivalents	19,810	17,900	5,144	42,854
Trade receivables	11,930	26,585	3,380	41,895
	31,740	47,893	8,524	88,157

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 2016, the Group's net debt to EBITDA for the continuing businesses was 1.5 times.

The Group also maintains undrawn committed borrowing facilities. At March 31st 2016, the committed facilities amounted to £49,000,000 (2015: £49,000,000) and their weighted average maturity was 3.6 years.

Financial counterparty risk management

Counterparty credit limits, which take published credit rating and other factors into account, are set to cover the Group's total aggregrate exposure to a single financial institution. The limits applicable to published credit-rating 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.

Foreign currency risk management

The Group's principal foreign-exchange exposure is to the US dollar. The Group generates approximately 64% of its revenues in US dollars, including approximately 35% from the revenues of its UK-based businesses, and approximately 42% 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 external loans, as well as 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.

NOTE 24 Financial risk management (continued)

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

	Assets			Liabilities		
	2016	2015	2014	2016	2015	2014
	£000	£000	£000	£000	£000	£000
US dollar	48,489	68,515	59,529	(74,506)	(70,905)	(60,305)

A series of US dollar contracts are put in place each month to sell forward surplus US dollars so as to hedge 75% 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	2016	2015	2014
Average exchange rate	$1.52	$1.63	$1.61
Foreign currency ($000)	39,395	55,867	59,562
Contract value (£000)	26,282	34,753	36,721
Fair value (£000)	(1,104)	(2,348)	1,127

As at March 31st 2016, the aggregate amount of unrealised losses under forward foreign-exchange contracts deferred in the fair value reserve relating to future income transactions is £1,104,000 (2015: £nil, 2014: £nil). 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. There were no ineffective cashflow hedges in place at the year-end. In prior years, before the adoption of IFRS, the Group did not apply hedge accounting so no amounts were deferred in equity.

The Group has significant investments in overseas operations. The Group does seek to create a natural hedge of its exposure to US dollar-denominated overseas net assets through its policy of aligning the currency composition of its UK-based US dollar assets and liabilities. Included within year-end net debt, the net borrowings in US dollars were £42,903,000.

NOTE 24 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. 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 - if one or more significant inputs are not based on observable market data, the instrument is included in level 3.

As at March 31st 2016 and the prior years, all the resulting fair value estimates have been included in level 2, apart from deferred consideration which is classified as level 3.

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 borrowings (note 23), cash deposits (note 22) and equity attributable to equity holders 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, receivables, payables and loans.

Financial instruments: sensitivity analysis

As at March 31st 2016, the sensitivity of the carrying value of the Group's financial instruments to fluctuations in interest rates and exchange rates is as follows:

		Impact of 1%		Impact of 10%	
	Carrying value £000	increase in interest rates £000	decrease in interest rates £000	stronger US dollar £000	weaker US dollar £000
Loan notes	2,706	-	-	302	(246)
Cash and cash equivalents	35,765	-	-	1,786	(1,461)
Other net financial assets	25,553	-	-	2,444	(2,000)
Derivative financial instruments	(1,104)	-	-	(3,042)	2,489
Deferred consideration	(5,704)	122	(126)	(634)	518
Bank loans	(73,816)	-	-	-	-
Borrowings	(58,977)	-	-	(6,553)	5,362
	(75,577)	122	(126)	(5,697)	4,662

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. There is minimal sensitivity to interest rates because the Group pays its bank loan interest in March prior to the year-end and borrowings are at fixed interest rates. Other net financial assets comprises 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 25 Provisions for other liabilities and charges

	Deferred consideration £000
At April 1st 2014	3,021
Release in the year	(776)
Used in the year	(2,245)
At March 31st 2015	-
Provision in the year	5,419
Exchange differences	285
At March 31st 2016	5,704

Analysis of provisions:

	2016 £000	2015 £000	2014 £000
Current	-	-	3,021
Non-current	5,704	-	-
	5,704	-	3,021

Deferred consideration relates to the acquisition of Canback in 2016 and is payable in 2018-19 if the business achieves certain cumulative three-year profit targets. The range of payouts on deferred consideration range from £nil to £10,800,000. The amount provided is discounted and reflects management’s assessment of the most likely outcome.

NOTE 26 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:

	2016	2015	2014
	£000	£000	£000
UK Group scheme	9,428	38,829	11,734
Unfunded retirement benefit scheme	214	2,247	1,766
Post-retirement medical benefits	2,085	2,383	2,251
	11,727	43,459	15,751

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) provides funded defined benefits. It was closed to new members on December 31st 2002. The scheme has a defined-contribution underpin and provides 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 (UURBS) 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 2013. This showed the market value of assets of the main UK scheme to be £221,570,000. The actuarial valuation of pension liabilities was £244,356,000, leaving a deficit of £22,786,000. The actuarial method used for the valuation was the projected unit method. The foregoing liabilities represent the Scheme Specific Funding Technical Provisions as agreed by the Group and the trustees. The SSF level of funding was 91%. The January 2013 valuation was used as a basis for determining the ongoing company funding rate, effective August 7th 2013. A triennial valuation as at January 1st 2016 is under way.

The Group agreed that the funding shortfall will be eliminated by December 31st 2016. In the year ending March 31st 2016 the Group contributed £2,620,000 (2015: £1,920,000) towards the funding shortfall. Following the completion of the triennial funding valuation the Group has agreed to contribute £1,920,000 per year until December 2016 in excess of regular contributions. In addition, a mechanism has been agreed for the Group to make supplementary payments if actual salary increases during the funding term cause a further strain on the deficit. A further £2,800,000 payment was made in April 2016 to fund the salary strain arising in prior years. Regular contributions to the scheme are estimated to be £1,647,000 for 2016-17.

The main overseas schemes and one UK scheme are based on defined contributions; amounts totalling £48,000 (2015: £370,000, 2014: £238,000) were accrued in respect of these schemes at the year-end.

NOTE 26 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 2016. The major assumptions used to determine this valuation are as follows:

	2016 %	2015 %	2014 %
Inflation	3.05	3.00	3.40
Increase in pensionable salaries	3.05	3.00	3.40
Increase in pensions in payment	2.95	2.95	3.20
Increase in deferred pensions	2.45	2.40	2.80
Discount rate for scheme liabilities	3.75	3.35	4.50

The discount rate is based on corporate bond yields adjusted to reflect the duration of liabilities. The inflation rate has been calculated with reference to the inflation spot yield curve at a term based on the duration of the liabilities. The expected rate of increase in salaries has been set at 3.05% in 2016.

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 2015 and the year in which the member was born, with a 1% per-year underpin to future improvements (2015 and 2014: SAPS1 light tables, CMI 2011, year of birth, 1% underpin).

	2016 years	2015 years	2014 years
Longevity at age 65 for current retirees			
- Men	88.1	88.8	88.8
- Women	89.2	90.1	90.1
Longevity at age 65 for future retirees, current age 45			
- Men	89.3	90.2	90.1
- Women	90.6	91.7	91.6

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

	2016 £000	2015 £000	2014 £000
Equities	145,501	159,961	145,149
Government and corporate bonds	93,190	87,892	79,217
Property	41,781	37,920	29,127
Other	922	2,827	2,857
Fair value of scheme assets	281,394	288,600	256,350
Present value of scheme liabilities	(290,822)	(327,429)	(268,084)
Deficit in the scheme	(9,428)	(38,829)	(11,734)

NOTE 26 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:

	2016		2015		2014	
	Quoted market price £000	No quoted market price £000	Quoted market price £000	No quoted market price £000	Quoted market price £000	No quoted market price £000
UK equities	69,846	-	73,085	-	69,597	-
Non-UK equities	73,570	-	83,513	-	70,696	-
Private equity	-	2,085	-	3,363	-	4,856
UK corporate bonds	46,803	-	42,390	-	39,508	-
Index-linked securities	46,387	-	45,502	-	39,709	-
Property	-	41,781	-	37,920	-	29,127
Other	439	483	2,175	652	2,262	595
	237,045	44,349	246,665	41,935	221,772	34,578

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

	2016 £000	2015 £000	2014 £000
Liquid - call <1 month	254,079	262,211	234,940
Less liquid - call 1-3 months	15,355	13,987	12,004
Liquid - call >3 months	14,614	15,088	11,504

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 or any property occupied by, or other assets used by, the Group. The actual return on scheme assets was £1,896,000 (2015: £34,010,000; 2014: £13,853,000).

Fair value of scheme assets	2016 £000	2015 £000
April 1st	288,600	256,350
Interest income	9,517	11,497
Return on scheme assets excluding interest income	(7,621)	22,513
Employee contributions	548	539
Employer contributions	4,985	4,246
Administration expenses	(395)	(273)
Payments from the scheme	(14,240)	(6,272)
March 31st	281,394	288,600

Present value of scheme liabilities	2016 £000	2015 £000
April 1st	327,429	268,084
Current service cost	2,716	2,193
Interest expense	10,735	11,927
(Gains)/losses from experience	(2,786)	2,087
(Gains)/losses from changes in financial assumptions	(33,580)	48,871
Employee contributions	548	539
Payments from the scheme - benefit payments	(14,240)	(6,272)
March 31st	290,822	327,429

The weighted average duration of the defined-benefit obligation is 20 years.

NOTE 26 Retirement benefit and other post-retirement obligations (continued)

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	8.6
Pensionable salaries	0.5	1.4
Pensions in payment	0.5	6.7
Revaluation rate of deferred pensions	0.5	1.8
Discount rate	0.5	8.9

If the average expected age of death of pensioners lengthened by one year, the liabilities of the scheme would increase by 3.2% (2015: 3.2%).

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

Unfunded retirement benefit scheme

In addition, the Group provides unfunded, unapproved pension arrangements in respect of certain former employees. The liability was remeasured at the year-end by a qualified independent actuary as follows:

	2016	2015	2014
Assumptions	%	%	%
Increase in pensions in payment	2.95	2.95	3.20
Increase in deferred pensions	2.45	2.40	2.80
Discount rate for scheme liabilities	3.75	3.35	4.50

	2016	2015
Present value of scheme liabilities	£000	£000
April 1st	2,247	1,766
Interest expense	75	79
(Gains)/losses from experience	(1,039)	120
(Gains)/losses from changes in financial assumptions - financial	(13)	291
(Gains) from changes in financial assumptions - demographic	(12)	-
Payments from the scheme - benefit payments	(1,044)	(9)
March 31st	214	2,247

NOTE 26 Retirement benefit and other post-retirement obligations (continued)

Post-retirement medical benefit scheme

The Group provides post-retirement medical benefits to certain former employees. At March 31st 2016, 48 retired and former employees (2015: 48) were eligible to receive benefits. The liability was remeasured at the year-end by a qualified independent actuary as follows:

Assumptions	2016 %	2015 %	2014 %
Healthcare premium inflation	5.05	5.00	5.35
Discount rate for scheme liabilities	3.75	3.35	4.50

Present value of scheme liabilities	2016 £000	2015 £000
April 1st	2,383	2,251
Employer contributions	(145)	(196)
Interest expense	77	98
(Gains)/losses from experience	(65)	3
(Gains)/losses from changes in financial assumptions - financial	(75)	227
(Gains) from changes in financial assumptions - demographic	(90)	-
March 31st	2,085	2,383

Income statement

The amounts recognised in the income statement are as follows:

					2016
	UK Group Scheme £000	UURBS £000	PRMB £000	Defined contribution £000	Total £000
Current service cost	2,716	-	-	4,169	6,885
Adminstration expenses	395	-	-	-	395
Total operating expense	3,111	-	-	4,169	7,280
Interest on scheme assets	(9,517)	-	-	-	(9,517)
Interest on scheme liabilities	10,735	75	77	-	10,887
Net finance expense	1,218	75	77	-	1,370
Net income statement charge	4,329	75	77	4,169	8,650

NOTE 26 Retirement benefit and other post-retirement obligations (continued)

					2015
	UK Group Scheme £000	UURBS £000	PRMB £000	Defined contribution £000	Total £000
Current service cost	2,193	-	-	3,538	5,731
Adminstration expenses	273	-	-	-	273
Total operating expense	2,466	-	-	3,538	6,004
Interest on scheme assets	(11,497)	-	-	-	(11,497)
Interest on scheme liabilities	11,927	79	98	-	12,104
Net finance expense	430	79	98	-	607
Net income statement charge	2,896	79	98	3,538	6,611

Other comprehensive income

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

	2016 £000	2015 £000
UK Group scheme	28,745	(28,445)
Unfunded retirement benefit scheme	1,064	(411)
Post-retirement medical benefits	230	(230)
Total gains/(losses) recognised in year	30,039	(29,086)

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 derisking 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 37% risk-reducing assets and 63% growth assets.

Inflation risk

The majority of benefits are linked to 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).

NOTE 26 Retirement benefit and other post-retirement obligations (continued)

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

The present value of the liability is calculated by reference to the future salaries of the scheme participants. An increase in the salary of the scheme participants will increase the liability.

NOTE 27 Share capital

	No. of shares	Share capital £000
At March 31st 2014, 2015 and 2016	25,200,000	1,260

	March 31st 2016, 2015 and 2014	
Issued, fully paid shares	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 across the comparative 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 19. The trust shares participate in a distribution of capital only to a limited extent and accordingly are not treated as equity share capital.

During the year, the company acquired 5,040,000 of its own ordinary shares in two separate transactions from Pearson plc. On November 2nd 2015, the company repurchased 2,490,000 shares followed by a repurchase of 2,550,000 shares on March 24th 2016. The repurchased shares are held in treasury and carry no rights.

On July 17th 2014, share capital was increased by one deferred share at £1 par value issued at a premium of £107,385,934. This represented the unrealised profit of the company credited to other reserves at March 31st 2014. The capital was reduced on the same day by the cancellation of the deferred share and the related share premium following a solvency statement made by the directors in accordance with section 643 of the Companies Act 2006.

NOTE 28 Employee Share Ownership Plan (ESOP)

	No. of shares	£000
At April 1st 2014	193,407	2,302
Purchase of ESOP shares	34,898	921
Sale of ESOP shares	(26,742)	(704)
At March 31st 2015	201,563	2,519
Purchase of ESOP shares	19,965	615
Sale of ESOP shares	(22,023)	(654)
At March 31st 2016	199,505	2,480

The nominal value of the ESOP shares which have a par value of 5p each amounted to £9,975 (2015: £10,078). 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 2016, 149,250 (2015: 76,750) of the shares are under option to employees and have been conditionally granted to them.

NOTE 29 Treasury shares

	No. of shares	£000
At April 1st 2014 and 2015	-	-
Purchase of treasury shares	5,040,000	188,823
At March 31st 2016	5,040,000	188,823

The Group repurchased 5,040,000 shares in The Economist Newspaper Limited during the year and holds them in treasury. These shares are treated as treasury shares for accounting purposes and have a par value of 5p per share. The nominal value of the treasury shares amounts to £252,000 (2015: £nil). The shares do not attach any voting rights or rights to dividends. The shares represent 20% of called-up share capital (2015: 0%). The amount charged to treasury shares included the purchase price of £182,000,000 and compensation for dividends of £3,802,000 paid to Pearson plc and transactional costs of £3,021,000.

NOTE 30 Financial commitments

At March 31st, the Group had committed to make the following payments in respect of operating leases on:

Land and buildings	2016 £000	2015 £000
Within one year	8,851	6,642
Between two and five years	21,918	22,274
After five years	11,624	15,571
	42,393	44,487

At March 31st 2016, there was £3,064,000 capital expenditure contracted for but not provided in the financial statements (2015: £597,000).

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 31 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.

During part of the year, The Financial Times Limited owned 50% of the issued share capital in the company and was entitled to appoint six out of a total of 13 places for directors on the company’s Board. The Financial Times Limited was a wholly-owned subsidiary of Pearson plc. There were no material related party transactions with Pearson plc and its subsidiaries during the year other than the transactions to buy-back 40% of their shareholding in two tranches over the year (see note 29).

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

The key management personnel are deemed to be members of the company’s Board and the Group management committee (see pages 16-18). Key management compensation paid or payable is set out below:

	2016 £000	2015 £000
Salaries and short-term employment benefits	4,175	4,295
Retirement benefits	394	322
Share-based payment costs	1,752	933
	6,321	5,550
Of which:		
Executive directors	1,491	1,687
Non-executive directors	394	392
Other Group management committee executives	4,436	3,471
	6,321	5,550

The directors who served during the year received dividends of £217,000 (2015: £221,000) in respect of ordinary shares held in the company.

NOTE 32 Events after the balance-sheet date

There were no material events after the balance-sheet date.

NOTE 33 Acquisitions

On July 14th 2015, the Group acquired Canback, a US and South Africa based strategy consulting and predictive analytics business targeting clients in business-to-consumer markets. The acquisition comprised the trade and assets of Canback & Co LLC (US) and 100% of the equity share capital of Canback SA (Pty) Ltd. The following table sets out the fair values of the identifiable assets and liabilities acquired by the Group including comparatives for the prior year acquisition of FNS:

	Canback US fair value £000	Canback SA fair value £000	2016 Total fair value £000	2015 Total fair value £000
Property, plant and equipment	41	-	41	-
Intangible assets	1,044	-	1,044	1,125
Trade and other receivables	878	153	1,031	68
Cash and cash equivalents	-	142	142	-
Trade and other liabilities	(128)	(326)	(454)	(207)
Current income tax liabilities	(13)	-	(13)	-
Net assets/(liabilities) acquired at fair value	1,822	(31)	1,791	986
Goodwill	7,052	35	7,087	-
Total	8,874	4	8,878	986
Satisfied by:				
Cash	3,244	-	3,244	986
Working capital adjustment	587	4	591	-
Deferred consideration	5,043	-	5,043	-
Total consideration	8,874	4	8,878	986

The goodwill arising on these acquisitions results from revenue and cost synergies and from assets and benefits that cannot be separately recognised.

Goodwill of £1,095,000 arising on 2016 acquisitions is expected to be deductible for tax purposes (2015: £nil).

Intangible assets acquired in 2016 have the following useful economic lives: customer lists, contracts and relationships five years; acquired technology and databases seven years. Intangible assets recognised in 2015 represented customer lists, contracts and relationships and had a useful economic life of 20 years.

Cashflow on acquisitions	2016 £000	2015 £000
Cash - current year acquisitions	(85)	253
Deferred payments for prior year acquisitions	-	(2,245)
Cash and cash equivalents acquired	142	-
Acquisition costs and other acquisition liabilities paid	(3,464)	(1,063)
Net cash outflow	(3,407)	(3,055)

In total, acquisitions completed in the year contributed an additional £1,989,000 of revenue and £295,000 to operating profit before acquisition costs of £220,000 and intangible amortisation of £110,000. If the acquisitions had been completed on April 1st 2015, the Group estimates that revenue for the year would have been £3,117,000 and total operating profit would have been £379,000.

The Group is a party to contingent consideration arrangements in the form of deferred consideration payments. The Group recognises the discounted present value of the contingent consideration. The discount is unwound as a notional interest charge to the income statement. The Group regularly performs a review of the underlying businesses to assess the impact on the fair value of the contingent consideration. Any resultant change in these fair values is reported as finance income or expense in the income statement.

NOTE 33 Acquisitions (continued)

	Deferred consideration	
	2016	2015
	£000	£000
At April 1st	-	3,021
Provision during the year	5,043	-
Net movement in finance expense during the year (note 6)	376	-
Release to income statement during the year	-	(776)
Paid during the year	-	(2,245)
Exchange difference to reserves	285	-
At March 31st	5,704	-

Reconciliation of finance expense (note 6):

	Deferred consideration	
	2016	2015
	£000	£000
Fair value adjustment during the year	-	-
Imputed interest	376	-
Net movement in finance expense during the year	376	-

NOTE 34 Disposals

On March 3rd 2016, the Group completed the sale of its external property business to Tishman Spiers. The disposal gave rise to a profit on sale of £109,557,000 before tax, after deducting disposal costs and the net book value of assets and liabilities sold. The gain was recognised as an exceptional item within discontinued businesses within the income statement.

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

	2016 Total fair value £000
Property, plant and equipment	4,577
Investment property	11,081
Trade and other receivables	1,205
Trade and other liabilities	(284)
Financial liabilities - borrowings	(2,510)
Net assets disposed	14,069
Directly attributable costs	1,327
Profit on disposal	109,557
Total consideration	124,953

NOTE 35 Transition to IFRS: reconciliations under IFRS 1

These consolidated financial statements represent the first annual financial statements of the company and its subsidiaries prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. The first date at which IFRS was applied was April 1st 2014. In accordance with IFRS, the company has:

- provided comparative financial information;
- applied the same accounting policies throughout all years presented;
- retrospectively applied all effective IFRS standards as of March 31st 2016, as required; and
- applied certain optional exemptions and certain mandatory exceptions as applicable for first-time IFRS adopters.

The Group's financial statements were previously prepared in accordance with UK GAAP.

Initial elections upon adoption

i. Business combination

IFRS 1 provides the option to apply IFRS 3 revised, "Business Combinations", retrospectively or prospectively from the transition date. The retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Group elected not to retrospectively apply IFRS 3 revised to business combinations that occurred prior to its transition date and such business combinations have not been restated. Any goodwill arising on such business combinations before the transition date has not been adjusted from the carrying value previously determined under UK GAAP as a result of applying these exemptions.

ii. Currency translation differences

Retrospective application of IFRS would require the Group to determine cumulative currency translation differences in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", from the date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. The company elected not to reset cumulative translation gains and losses to zero in the opening retained earnings at its transition date.

IFRS mandatory exceptions

The Group has applied certain mandatory exceptions in IFRS 1 in the conversion from UK GAAP to IFRS:

i. Hedge accounting

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in IAS 39 at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of its transition date are reflected as hedges in the Group's results under IFRS. All derivatives, whether or not they meet the IAS 39 criteria for hedge accounting, were fair valued and recorded in the balance sheet.

ii. Estimates

Hindsight is not used to create or revise estimates. The estimates previously made by the Group under UK GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

NOTE 35 Transition to IFRS: reconciliations under IFRS 1 (continued)

Reconciliation of UK GAAP to IFRS

IFRS 1 requires the Group to reconcile equity, comprehensive income and cashflows for prior years. The Group's first time adoption of IFRS did not have an impact on the total operating, investing or financing cashflows. The following represents the reconciliations from UK GAAP to IFRS for the respective years noted for equity, earnings and comprehensive income:

Reconciliation of equity

	March 31st 2015 £000	March 31st 2014 £000
Shareholders' deficit under UK GAAP	(26,141)	(4,519)
Differences increasing/(decreasing) reported shareholders' equity:		
1. Business combinations	6,224	-
2. Derivative instruments and hedging activities	(1,854)	890
3. Employee benefits	(1,479)	(1,451)
4. Leases	(646)	(392)
Total equity under IFRS	(23,896)	(5,472)

Reconciliation of earnings

	March 31st 2015 £000
Net earnings under UK GAAP	45,890
Differences in GAAP increasing/(decreasing) reported earnings:	
1. Business combinations	5,773
2. Derivative instruments and hedging activities	(2,745)
3. Employee benefits	(3,353)
4. Leases	(254)
Net earnings under IFRS	45,311

NOTE 35 Transition to IFRS: reconciliations under IFRS 1 (continued)

Reconciliation of comprehensive income

	March 31st 2015 £000
Comprehensive income under UK GAAP	19,486
Differences in GAAP increasing/(decreasing) comprehensive income:	
Differences in net earnings, net of tax	(579)
Foreign currency translation adjustments to equity	455
Actuarial gains on defined-benefit obligations, net of tax	3,322
Comprehensive income under IFRS	22,684

Changes in accounting policies

In addition to the exemptions and exceptions discussed above, there are significant differences between the previous historical UK GAAP accounting policies and the current IFRS accounting policies applied by the Group, which are explained below. This is not a complete summary of all the differences. The descriptive caption is numbered to correspond with numeric differences shown in the preceding tables.

1. Business combinations

Business combinations concluded prior to April 1st 2014 have not been restated and the carrying amount of any goodwill under IFRS is equal to the carrying amount under UK GAAP as of that date. Goodwill has not been amortised since the transition date.

Goodwill represented the excess of the fair value of consideration given over the fair value of the identifiable assets and liabilities acquired under UK GAAP and was amortised over its useful economic life, which was generally estimated to be 20 years. Under IFRS goodwill is the excess of consideration given after identifying separately acquired intangible assets.

Goodwill is not amortised but is tested for impairment annually. Separately acquired intangible assets include customer lists, contracts and relationships, trademarks and brands, publishing rights, content, technology and software rights. Separately acquired intangibles are capitalised on acquisition at fair value and are amortised over their estimated useful lives of between two and 20 years.

Business combination acquisition costs on acquisitions completed subsequent to April 1st 2014 have been charged to the income statement. UK GAAP permitted capitalisation of acquisition costs within goodwill.

Where the initial accounting for a business combination can only be determined provisionally due to deferred or contingent consideration arrangements, subsequent adjustments to the purchase price allocation can only be recognised if they occur within 12 months of the acquisition date. After 12 months, adjustments are recognised in the income statement. The UK GAAP treatment was to adjust goodwill retrospectively when changes to the initial purchase price allocation were subsequently determined.

NOTE 35 Transition to IFRS: reconciliations under IFRS 1 (continued)

2. Derivative instruments and hedging activities

The company has prospectively applied hedge accounting to those hedging relationships that satisfied the hedge accounting criteria of IAS 39 at its transition date. Derivative financial instruments are recognised at fair value and remeasured at each balance-sheet date.

The company designates certain of the derivative instruments within its portfolio to be hedges of the fair value of its cashflows. Changes in the fair value of derivatives that are designated and qualify as cashflow hedges are recorded in other comprehensive income. Where the hedging relationship does not meet the hedge accounting criteria, changes in the fair value of the derivative are recorded in the income statement.

Under UK GAAP, gains and losses on derivative financial instrument contracts were recognised in the income statement on maturity of the contract, with gains and losses on open contracts deferred until maturity.

3. Employee benefits

Finance costs include interest calculated on defined-benefit obligations by applying the discount rate used to determine the liabilities to the net defined-benefit obligation. Under UK GAAP, net finance costs included the net income calculated as the expected return on scheme assets less the cost arising from the unwinding of the discount rate on defined-benefit scheme liabilities. Additionally, the difference between the expected return on assets and the actual return was charged to other comprehensive income. There is no concept of expected returns on defined-benefit scheme assets within IFRS.

The cost of employee vacation entitlement not taken is provided as a liability and charged to the income statement but was not recognised under UK GAAP.

4. Leases

Incentives received when entering into new operating leases or given to tenants when subletting are deferred and subsequently recognised in the income statement over the period of the lease. Previously, lease incentives were spread over the earlier of the end of the lease term and the timing of the first full market review.

5. Deferred tax

All deferred tax assets and liabilities are classified as non-current. Retirement benefit obligations are reported gross with the deferred tax component recorded separately.

6. Investment property

Land and buildings that are leased substantially to non-company entities are classified as investment property. The Group measures investment property at its cost less accumulated depreciation and impairment losses.

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Company balance sheet

NOTE	As at March 31st	2016 £000	2015 £000	2014 £000
8	Investments in subsidiaries	552,077	554,900	555,677
6	Intangible assets	4,609	1,190	376
5	Property, plant and equipment	5,099	5,365	5,590
	Amounts due from subsidiaries	177,161	187,240	167,996
9	Deferred income tax assets	2,244	8,507	3,657
	Non-current assets	**741,190**	**757,202**	**733,296**
	Amounts due from subsidiaries	25,410	20,788	24,034
10	Inventories	453	484	604
11	Trade and other receivables	20,124	18,983	19,492
14	Financial assets - derivative financial instruments	-	-	1,127
15	Cash and cash equivalents	23,948	17,319	16,897
	Current assets	**69,935**	**57,574**	**62,154**
	Total assets	**811,125**	**814,776**	**795,450**
	Amounts due to subsidiaries	(92,663)	(90,291)	(80,225)
12	Trade and other liabilities	(5,065)	(5,997)	(4,915)
19	Retirement benefit obligations	(9,328)	(35,452)	(12,870)
16	Financial liabilities - borrowings	(119,744)	(51,295)	(46,427)
	Other liabilities	(1,850)	(2,170)	(2,490)
	Non-current liabilities	**(228,650)**	**(185,205)**	**(146,927)**
	Amounts due to subsidiaries	(178,968)	(192,795)	(169,263)
12	Trade and other liabilities	(43,235)	(43,807)	(47,072)
16	Financial liabilities - borrowings	(13,049)	(10,238)	(9,176)
14	Financial liabilities - derivative financial instruments	(1,104)	(2,348)	-
	Current income tax liabilities	(1,243)	(1,059)	(3,226)
18	Provisions for other liabilities and charges	-	-	(1,348)
	Other liabilities	(320)	(320)	(320)
	Current liabilities	**(237,919)**	**(250,567)**	**(230,405)**
	Total liabilities	**(466,569)**	**(435,772)**	**(377,332)**
	Net assets	**344,556**	**379,004**	**418,118**

Company balance sheet (continued)

NOTE	As at March 31st	2016 £000	2015 £000	2014 £000
	Equity			
20	Share capital	1,260	1,260	1,260
21	ESOP shares	(2,480)	(2,519)	(2,302)
22	Treasury shares	(188,823)	-	-
	Revaluation reserve	268,799	271,623	271,623
	Translation reserve	(5,288)	(4,119)	(4,085)
	Retained earnings	271,088	112,759	151,622
	Total equity	**344,556**	**379,004**	**418,118**

These financial statements were approved by the Board of directors and authorised for issue on June 14th 2016. They were signed on its behalf by:

Rupert Pennant-Rea
Chris Stibbs
Directors

The Economist Newspaper Limited registered number 236383

Company statement of changes in equity

Year ended March 31st 2016	Equity attributable to equity holders of the company						
	Share capital £000	ESOP shares £000	Treasury shares £000	Translation reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
At April 1st 2015	**1,260**	**(2,519)**	**-**	**(4,119)**	**271,623**	**112,759**	**379,004**
Profit for the year	-	-	-	-	-	172,638	172,638
Other comprehensive income	-	-	-	(1,169)	(2,824)	22,553	18,560
Total comprehensive income	-	-	-	(1,169)	(2,824)	195,191	191,198
Purchase of treasury shares	-	-	(188,823)	-	-	-	(188,823)
Net sale of own shares	-	39	-	-	-	-	39
Dividends	-	-	-	-	-	(36,862)	(36,862)
At March 31st 2016	**1,260**	**(2,480)**	**(188,823)**	**(5,288)**	**268,799**	**271,088**	**344,556**

Year ended March 31st 2015	Equity attributable to equity holders of the company						
	Share capital £000	ESOP shares £000	Treasury shares £000	Translation reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
At April 1st 2014							
- as reported under UK GAAP	**1,260**	**(2,302)**	**-**	**(4,085)**	**-**	**159,336**	**154,209**
Profit for the year	-	-	-	-	-	21,339	21,339
Other comprehensive expense	-	-	-	(34)	-	(19,311)	(19,345)
Total comprehensive income	-	-	-	(34)	-	2,028	1,994
Net purchase of own shares	-	(217)	-	-	-	-	(217)
Dividends	-	-	-	-	-	(40,891)	(40,891)
Prior year adjustment							
- on first-time adoption of IFRS	-	-	-	-	271,623	(7,714)	263,909
At March 31st 2015							
- as restated under IFRS	**1,260**	**(2,519)**	**-**	**(4,119)**	**271,623**	**112,759**	**379,004**

Company cashflow statement

Year ended March 31st	2016 £000	2015 £000
Operating profit	**17,374**	**17,514**
Depreciation, amortisation and impairment charges	4,610	1,348
Amounts received from subsidiaries	12,503	27,438
Inventories	30	120
Trade and other receivables	(1,334)	1,182
Trade and other liabilities	(3,482)	293
Provisions	-	(794)
Retirement benefit obligations	(2,592)	(1,403)
Cash generated from operations	**27,109**	**45,698**
Income taxes paid	(7,353)	(8,983)
Net cash generated from operating activities	**19,756**	**36,715**
Investing activities		
Interest received	8,298	7,740
Purchase of intangible assets	(3,836)	(838)
Purchase of property, plant and equipment	(931)	(911)
Dividends received from related parties	127,574	3,537
Loans repaid by related parties	16,504	-
Net cash generated from investing activities	**147,609**	**9,528**
Financing activities		
Dividends paid	(36,862)	(40,891)
Interest paid	(5,917)	(4,530)
Sale/(purchase) of own shares	39	(217)
Payment of acquisition deferred consideration	-	(554)
Purchase of treasury shares	(188,349)	-
Proceeds from borrowings	137,511	36,459
Repayment of borrowings	(67,306)	(37,000)
Net cash used in financing activities	**(160,884)**	**(46,733)**
Effects of exchange rate changes on cash and cash equivalents	148	912
Net increase in cash and cash equivalents	6,629	422
Cash and cash equivalents at the beginning of the year	17,319	16,897
Cash and cash equivalents at the end of the year	**23,948**	**17,319**

Company cashflow statement (continued)

Year ended March 31st	2016 £000	2015 £000
Net debt		
Net debt at beginning of the year	(44,214)	(38,705)
Net increase in cash and cash equivalents	6,629	422
Proceeds from borrowings	(137,511)	(36,459)
Repayment of borrowings	67,306	37,000
Other non-cash changes	524	(23)
Effect of foreign-exchange rate movements	(1,579)	(6,449)
Net debt at the end of the year	**(108,845)**	**(44,214)**
Net debt comprises:		
Cash at bank and in hand	23,948	17,319
Bank overdrafts	-	-
Total cash and cash equivalents	23,948	17,319
Borrowings	(132,793)	(61,533)
Total net debt	**(108,845)**	**(44,214)**

Notes to the company financial statements

NOTE 1 Accounting policies

The financial statements on pages 88 to 116 comprise the separate financial statements of The Economist Newspaper Limited. These financial statements have been prepared in accordance with IFRS and the Companies Act 2006.

As permitted by section 408 of the Companies Act, only the consolidated income statement and statement of comprehensive income have been presented.

The accounting policies applied in the preparation of these company financial statements 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 Auditors' remuneration

During the year the company obtained the following services from the company's auditors:

	2016 £000	2015 £000
The audit of the financial statements	248	135
Other assurance services	22	48
Tax compliance services	13	14
Tax advisory services	30	33
Other services	64	132
Total non-audit services	129	227
Total Group auditors' remuneration	377	362

NOTE 3 Employee information

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

	2016		2015	
	Average	Year-end	Average	Year-end
Total	418	423	383	383

The details of directors' emoluments are shown in table 2, page 25, within the directors' report on remuneration.

NOTE 4 Share-based payments

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

	2016 £000	2015 £000
Long-term incentive plan (cash settled)	(231)	(144)
Restricted share scheme (cash or share settled)	1,480	890
	1,249	746

The total carrying value of share-based payment transactions is:

	2016 £000	2015 £000	2014 £000
Long-term incentive plan (cash settled)	-	231	375
Restricted share scheme (cash or equity settled)	2,191	1,272	1,535
	2,191	1,503	1,910

Analysed as:

	2016 £000	2015 £000	2014 £000
Current liabilities	1,208	528	1,161
Non-current liabilities	983	975	749
	2,191	1,503	1,910

Details of share-based payment incentive schemes operated by the company and inputs to the valuation models are shown in note 10 to the consolidated financial statements.

The number and weighted average fair value of units granted under the company's former executive long-term plan are as follows:

	2016		2015	
Executive long-term plan	No. of units	Weighted average fair value (£)	No. of units	Weighted average fair value (£)
Outstanding at beginning of year	264,698	1.34	433,103	2.03
Granted during the year	2,272	-	4,945	1.31
Forfeited during the year	(7,464)	-	(24,635)	(1.42)
Expired during the year	(134,517)	-	(148,715)	-
Outstanding at end of year	124,989	-	264,698	1.34
Options exercisable at end of year	124,989	-	134,517	-

The units outstanding at the end of the year had no remaining weighted average contractual lives (2015: 12 months).

NOTE 4 Share-based payments (continued)

Restricted share scheme	2016 No. of options	2016 Weighted average share price (£)	2015 No. of options	2015 Weighted average share price (£)
Outstanding at the beginning of the year	61,250	30.92	54,000	30.34
Granted during the year	65,000	33.95	48,000	30.31
Forfeited during the year	-	-	(7,500)	(29.61)
Exercised during the year	(18,000)	(27.34)	(33,250)	(30.70)
Outstanding at the end of the year	108,250	34.84	61,250	30.92
Exercisable at the year-end	20,750	36.37	15,000	30.95

The weighted average remaining contractual life for outstanding options at March 31st 2016 was 20 months (2015: 16 months).

NOTE 5 Property, plant and equipment

Cost	Leasehold buildings: Short £000	Plant and machinery £000	Equipment £000	Total £000
At April 1st 2014	2,936	974	18,275	22,185
Additions	-	-	911	911
Disposals	-	-	(1)	(1)
At March 31st 2015	2,936	974	19,185	23,095
Additions	-	-	829	829
At March 31st 2016	2,936	974	20,014	23,924

Depreciation	Leasehold buildings: Short £000	Plant and machinery £000	Equipment £000	Total £000
At April 1st 2014	223	974	15,398	16,595
Charge for the year	198	-	938	1,136
Disposals	-	-	(1)	(1)
At March 31st 2015	421	974	16,335	17,730
Charge for the year	203	-	892	1,095
At March 31st 2016	624	974	17,227	18,825
Carrying amounts:				
April 1st 2014	2,713	-	2,877	5,590
March 31st 2015	2,515	-	2,850	5,365
March 31st 2016	2,312	-	2,787	5,099

NOTE 6 Intangible assets

Cost	Licences and software £000	Intangible assets in development £000	Total £000
At April 1st 2014	3,095	-	3,095
Additions	1,026	-	1,026
At March 31st 2015	4,121	-	4,121
Additions	979	3,132	4,111
At March 31st 2016	5,100	3,132	8,232

Amortisation	Licences and software £000	Intangible assets in development £000	Total £000
At April 1st 2014	2,719	-	2,719
Charge for the year	212	-	212
At March 31st 2015	2,931	-	2,931
Charge for the year	692	-	692
At March 31st 2016	3,623	-	3,623
Carrying amounts:			
April 1st 2014	376	-	376
March 31st 2015	1,190	-	1,190
March 31st 2016	1,477	3,132	4,609

NOTE 7 Available-for-sale investments

At March 31st 2016, the company had a 28.31% interest in the equity of CFO Publishing Holdings Inc which is incorporated in the US (CFO). The interest was retained on the partial disposal of its CFO business in 2010. The investment in CFO is accounted for as an asset available-for-sale with a carrying value of £nil (2015: £nil). On May 2nd 2016, the Group disposed of its interest in CFO for pre-tax sales proceeds of £3,198,000.

NOTE 8 Investments in subsidiaries

	2016 £000	2015 £000
At April 1st	554,900	555,677
Adjustment	-	(777)
Impairments	(2,823)	-
At March 31st	552,077	554,900

Impairments relate to the carrying value of the subsidiary investments following impairment reviews.

NOTE 9 Deferred income tax assets

	2016 £000	2015 £000	2014 £000
Deferred income tax assets	2,244	8,507	3,657

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

Deferred income tax assets and liabilities may be offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income 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 income tax account is as follows:

	2016 £000	2015 £000
At April 1st	8,507	3,657
(Charge)/credit to the income statement	(1,082)	335
(Charge)/credit to other comprehensive income	(4,932)	4,723
Other transfers	-	(49)
Effect of change in tax rates	(249)	(159)
At March 31st	2,244	8,507

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

Deferred income tax assets	Retirement benefit obligations £000	Other £000	Total £000
At April 1st 2014	2,756	901	3,657
(Charge)/credit to income statement	(183)	518	335
Credit to other comprehensive income	4,723	-	4,723
Other transfers	(49)	-	(49)
Effect of change in tax rates	(118)	(41)	(159)
At March 31st 2015	7,129	1,378	8,507
(Charge) to income statement	(330)	(752)	(1,082)
(Charge) to other comprehensive income	(4,932)	-	(4,932)
Effect of change in tax rates	(187)	(62)	(249)
At March 31st 2016	1,680	564	2,244

Other deferred income tax assets include temporary differences on share-based payments, capital allowances and other provisions.

Changes to the UK main corporation tax rate from 20% (effective on April 1st 2017), to 18% (effective from April 1st 2020) were substantively enacted on 26 October 2015. 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

	2016	2015	2014
	£000	£000	£000
Raw materials	391	460	580
Work-in-progress	40	-	-
Finished goods	22	24	24
	453	484	604

None of the inventory is pledged as security.

NOTE 11 Trade and other receivables

	2016	2015	2014
Current	£000	£000	£000
Trade receivables	13,342	13,146	14,505
Other receivables	543	1,204	527
Prepayments and accrued income	6,239	4,633	4,460
	20,124	18,983	19,492

Trade receivables are stated at fair value, net of provisions for bad and doubtful debts and anticipated future sales returns. The movements on the provision for bad and doubtful debts are as follows:

	2016	2015
	£000	£000
At April 1st	574	920
Income statement movements	305	37
Utilised	(285)	(383)
At March 31st	594	574

The ageing of the company's trade receivables which are not impaired is as follows:

	2016	2015	2014
	£000	£000	£000
Within the due date	8,973	8,496	10,004
Past due less than a month	3,620	4,198	3,527
Past due more than a month but less than two months	1,781	1,602	2,233
Past due more than two months but less than three months	961	963	1,237
Past due more than three months	255	7	(147)
Total trade receivables	15,590	15,266	16,854
Less: provision for sales returns	(2,248)	(2,120)	(2,349)
Net trade receivables	13,342	13,146	14,505

In determining the recoverability of a trade receivable, the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The company has not provided for these trade receivables as there has been no significant change in their credit quality and the amounts are still considered recoverable. These relate to a number of independent customers for whom there is no recent history of default.

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

NOTE 12 Trade and other liabilities

Current	2016 £000	2015 £000	2014 £000
Trade payables	9,216	7,073	5,504
Social security and other taxes	425	1,481	1,464
Accruals	9,002	10,319	15,141
Liability for share-based payments	1,208	528	1,161
Deferred income	22,517	23,011	21,657
Other liabilities	867	1,395	2,145
	43,235	43,807	47,072
Non-current			
Accruals	-	831	158
Liability for share-based payments	983	975	749
Deferred income	4,082	4,191	4,008
	5,065	5,997	4,915
Total	48,300	49,804	51,987

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 13 Classification of financial instruments

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

2016

NOTE		Fair value		Amortised cost			
		Derivatives deemed held for trading	Derivatives in hedging relationships	Loans and receivables	Other liabilities	Total carrying value	Total market value
		£000	£000	£000	£000	£000	£000
15	Cash and cash equivalents	-	-	23,948	-	23,948	23,948
	Inter-company receivables	-	-	202,571	-	202,571	202,571
11	Trade receivables	-	-	13,342	-	13,342	13,342
	Total financial assets	-	-	239,861	-	239,861	239,861
14	Derivative financial instruments	-	(1,104)	-	-	(1,104)	(1,104)
12	Trade payables	-	-	-	(9,216)	(9,216)	(9,216)
	Inter-company payables	-	-	-	(271,631)	(271,631)	(271,631)
16	Bank loans	-	-	-	(73,816)	(73,816)	(74,430)
16	Borrowings due within one year	-	-	-	(9,755)	(9,755)	(9,843)
16	Borrowings due after more than one year	-	-	-	(49,222)	(49,222)	(49,453)
	Total financial liabilities	-	(1,104)	-	(413,640)	(414,744)	(415,677)

2015

NOTE		Fair value		Amortised cost			
		Derivatives deemed held for trading	Derivatives in hedging relationships	Loans and receivables	Other liabilities	Total carrying value	Total market value
		£000	£000	£000	£000	£000	£000
15	Cash and cash equivalents	-	-	17,319	-	17,319	17,319
	Inter-company receivables	-	-	208,028	-	208,028	208,028
11	Trade receivables	-	-	13,146	-	13,146	13,146
	Total financial assets	-	-	238,493	-	238,493	238,493
14	Derivative financial instruments	(2,348)	-	-	-	(2,348)	(2,348)
12	Trade payables	-	-	-	(7,073)	(7,073)	(7,073)
	Inter-company payables	-	-	-	(283,086)	(283,086)	(283,086)
16	Bank loans	-	-	-	(4,165)	(4,165)	(4,165)
16	Borrowings due within one year	-	-	-	(9,503)	(9,503)	(9,591)
16	Borrowings due after more than one year	-	-	-	(47,865)	(47,865)	(48,188)
	Total financial liabilities	(2,348)	-	-	(351,692)	(354,040)	(354,451)

NOTE 13 Classification of financial instruments (continued)

NOTE		Fair value		Amortised cost			2014
		Derivatives deemed held for trading	Derivatives in hedging relationships	Loans and receivables	Other liabilities	Total carrying value	Total market value
		£000	£000	£000	£000	£000	£000
15	Cash and cash equivalents	-	-	16,897	-	16,897	16,897
14	Derivative financial instruments	1,127	-	-	-	1,127	1,127
	Inter-company receivables	-	-	192,030	-	192,030	192,030
11	Trade receivables	-	-	14,505	-	14,505	14,505
	Total financial assets	1,127	-	223,432	-	224,559	224,559
12	Trade payables	-	-	-	(5,504)	(5,504)	(5,504)
	Inter-company payables	-	-	-	(249,488)	(249,488)	(249,488)
18	Deferred consideration	-	-	-	(1,348)	(1,348)	(1,348)
16	Bank loans	-	-	-	(4,900)	(4,900)	(4,900)
16	Borrowings due within one year	-	-	-	(8,441)	(8,441)	(8,519)
16	Borrowings due after more than one year	-	-	-	(42,262)	(42,262)	(42,614)
	Total financial liabilities	-	-	-	(311,943)	(311,943)	(312,373)

Certain of the company's derivative financial instruments are classified as held for trading either as they do not meet the hedge accounting criteria specified in IAS 39 "Financial Instruments: Recognition and Measurement" or as the company has chosen not to seek hedge accounting for these instruments. None of these derivatives are held for speculative trading purposes. Transactions in derivative financial instruments are only undertaken to manage risks arising from underlying business activity, in accordance with the company's treasury policy as described in note 24 to the consolidated financial statements.

The company designates certain qualifying financial instruments as hedges of the fair value of its US dollar cashflows (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.

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

More detail on the company's accounting for financial instruments is included in the Group's accounting policies. The company's approach to managing risks in relation to financial instruments is described in note 24 to the consolidated financial statements.

NOTE 14 Derivative financial instruments

			2016
Forward foreign US dollar exchange contracts - current	Gross notional amounts £000	Assets £000	Liabilities £000
In a fair value hedge relationship	26,282	28	(1,132)
Not in a hedge relationship	-	-	-
	26,282	28	(1,132)

			2015
Forward foreign US dollar exchange contracts - current	Gross notional amounts £000	Assets £000	Liabilities £000
In a fair value hedge relationship	-	-	-
Not in a hedge relationship	34,753	-	(2,348)
	34,753	-	(2,348)

			2014
Forward foreign US dollar exchange contracts - current	Gross notional amounts £000	Assets £000	Liabilities £000
In a fair value hedge relationship	-	-	-
Not in a hedge relationship	36,721	1,133	(6)
	36,721	1,133	(6)

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 company's portfolio of exchange contract derivatives is diversified by maturity and counterparty and, until 2016, type. The company discontinued the use of forward currency options and now relies on foreign-exchange forwards. From May 2015, the company 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. No significant derivative transaction had a market value (positive or negative) at the balance-sheet date that exceeded 3% of the company's consolidated total equity.

The company 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 15 Cash and cash equivalents

	2016	2015	2014
	£000	£000	£000
Cash at bank and in hand	1,396	1,346	322
Short-term bank deposits	22,552	15,973	16,575
	23,948	17,319	16,897

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 39% (2015: 72%, 2014: 19%), sterling 49% (2015: 17%, 2014: 71%) and other 12% (2015: 11%, 2014: 10%).

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

NOTE 16 Financial liabilities: borrowings

The company's current and non-current borrowings are as follows:

	2016	2015	2014
	£000	£000	£000
Non-current			
8.53% loan note 2019-20 (nominal amount $12,500,000)	8,639	11,213	12,430
8.32% loan note 2019-20 (nominal amount $30,000,000)	20,714	26,894	29,832
4.89% loan note 2022-23 (nominal amount $14,500,000)	10,025	9,758	-
4.75% loan note 2023-24 (nominal amount $14,167,667)	9,844	-	-
Bank loans	70,522	3,430	4,165
	119,744	51,295	46,427
Current - due within one year or on demand:			
8.53% loan note 2019-20 (nominal amount $4,166,667)	2,863	2,789	2,482
8.32% loan note 2019-20 (nominal amount $10,000,000)	6,892	6,714	5,959
4.89% loan note 2022-23 (nominal amount nil)	-	-	-
4.75% loan note 2023-24 (nominal amount nil)	-	-	-
Bank loans	3,294	735	735
	13,049	10,238	9,176
Total borrowings	132,793	61,533	55,603

More detail on the company's accounting for financial instruments is included in the Group's accounting policies. The company's approach to managing risks in relation to financial instruments is described in note 24 to the consolidated financial statements.

The maturity of the company's non-current borrowings is as follows:

	2016	2015	2014
	£000	£000	£000
Between one and two years	9,619	12,934	9,177
Between two and five years	90,216	28,562	28,752
Over five years	19,909	9,799	8,498
	119,744	51,295	46,427

NOTE 16 Financial liabilities: borrowings (continued)

		2016		2015		2014	
	Effective interest rate %	Carrying value £000	Market value £000	Carrying value £000	Market value £000	Carrying value £000	Market value £000
8.53% loan note 2019-20 (nominal amount $16,666,667)	8.53	11,502	11,582	14,002	14,106	14,912	15,040
8.32% loan note 2019-20 (nominal amount $40,000,000)	8.32	27,606	27,796	33,608	33,855	35,791	36,093
4.89% loan note 2022-23 (nominal amount $14,500,000)	4.89	10,025	10,074	9,758	9,818	-	-
4.75% loan note 2023-24 (nominal amount $14,167,667)	4.75	9,844	9,844	-	-	-	-
Bank loans	n/a	73,816	74,430	4,165	4,165	4,900	4,900
		132,793	133,726	61,533	61,944	55,603	56,033

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

The carrying amounts of the company's borrowings are denominated in the following currencies:

	2016 £000	2015 £000	2014 £000
US dollar	58,977	57,368	50,703
Sterling	73,816	4,165	4,900
	132,793	61,533	55,603

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

	2016 £000	2015 £000	2014 £000
Floating rate			
- expiring within one year	-	-	-
- expiring beyond one year	49,000	49,000	49,000
	49,000	49,000	49,000

In addition to the above facilities, the company has a UK overdraft facility which is used in the normal course of the business and is subject to review in January 2020.

All of the company's borrowings are unsecured.

NOTE 17 Financial risk management

The company's approach to the management of financial risks is explained in note 24 to the consolidated financial statements.

The maturity of contracted cashflows associated with the company'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 company may be required to settle, unless the company anticipates that the cashflow will occur in a different period. All derivative amounts are shown gross, although the company 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.

	GBP £000	USD £000	Other £000	2016 Total £000
Not later than one year	(110,379)	(95,176)	(4,079)	(209,634)
Later than one year and not later than five years	(76,306)	(36,467)	-	(112,773)
Later than five years	-	(113,290)	-	(113,290)
	(186,685)	(244,933)	(4,079)	(435,697)
Analysed as:				
Derivative financial instruments - inflows	25,178	-	-	25,178
Derivative financial instruments - outflows	-	(26,282)	-	(26,282)
Trade payables	(7,822)	(593)	(801)	(9,216)
Inter-company payables	(122,742)	(147,478)	(3,278)	(273,498)
Bank loans	(81,299)	-	-	(81,299)
Borrowings	-	(70,580)	-	(70,580)
	(186,685)	(244,933)	(4,079)	(435,697)

	GBP £000	USD £000	Other £000	2015 Total £000
Not later than one year	(113,820)	(100,863)	(3,316)	(217,999)
Later than one year and not later than five years	(3,486)	(46,024)	-	(49,510)
Later than five years	-	(100,636)	-	(100,636)
	(117,306)	(247,523)	(3,316)	(368,145)
Analysed as:				
Derivative financial instruments - inflows	27,965	-	-	27,965
Derivative financial instruments - outflows	-	(30,313)	-	(30,313)
Trade payables	(5,529)	(393)	(1,151)	(7,073)
Inter-company payables	(135,447)	(147,262)	(2,165)	(284,874)
Bank loans	(4,295)	-	-	(4,295)
Borrowings	-	(69,555)	-	(69,555)
	(117,306)	(247,523)	(3,316)	(368,145)

NOTE 17 Financial risk management (continued)

	GBP £000	USD £000	Other £000	2014 Total £000
Not later than one year	(102,100)	(85,200)	(1,352)	(188,652)
Later than one year and not later than five years	(5,083)	(43,377)	-	(48,460)
Later than five years	-	(88,913)	-	(88,913)
	(107,183)	(217,490)	(1,352)	(326,025)
Analysed as:				
Derivative financial instruments - inflows	28,638	-	-	28,638
Derivative financial instruments - outflows	-	(27,511)	-	(27,511)
Deferred consideration	(1,348)	-	-	(1,348)
Trade payables	(4,012)	(302)	(1,190)	(5,504)
Inter-company payables	(125,338)	(125,607)	(162)	(251,107)
Bank loans	(5,123)	-	-	(5,123)
Borrowings	-	(64,070)	-	(64,070)
	(107,183)	(217,490)	(1,352)	(326,025)

The following table details the company'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 company anticipates that the cashflow will occur in a different period.

	GBP £000	USD £000	Other £000	2016 Total £000
Not later than one year	29,392	34,829	8,325	72,546
Later than one year and not later than five years	-	6,303	-	6,303
Later than five years	-	177,213	-	177,213
	29,392	218,345	8,325	256,062
Analysed as:				
Cash and cash equivalents	11,665	9,238	3,045	23,948
Inter-company receivables	12,566	202,540	3,666	218,772
Trade receivables	5,161	6,567	1,614	13,342
	29,392	218,345	8,325	256,062

	GBP £000	USD £000	Other £000	2015 Total £000
Not later than one year	19,945	35,655	5,562	61,162
Later than one year and not later than five years	-	14,125	-	14,125
Later than five years	14,613	172,873	-	187,486
	34,558	222,653	5,562	262,773
Analysed as:				
Cash and cash equivalents	2,980	12,475	1,864	17,319
Inter-company receivables	27,504	202,473	2,331	232,308
Trade receivables	4,074	7,705	1,367	13,146
	34,558	222,653	5,562	262,773

NOTE 17 Financial risk management (continued)

	GBP £000	USD £000	Other £000	2014 Total £000
Not later than one year	31,879	26,754	5,649	64,282
Later than one year and not later than five years	-	19,599	-	19,599
Later than five years	14,613	153,819	-	168,432
	46,492	200,172	5,649	252,313
Analysed as:				
Cash and cash equivalents	11,940	3,309	1,648	16,897
Inter-company receivables	28,838	189,355	2,718	220,911
Trade receivables	5,714	7,508	1,283	14,505
	46,492	200,172	5,649	252,313

The company's debt facilities require the Group 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 company 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 2016, the Group's net debt to EBITDA was 1.5 times.

The company also maintains undrawn committed borrowing facilities. At March 31st 2016, the committed facilities amounted to £49,000,000 (2015: £49,000,000) and their weighted average maturity was 3.6 years.

Foreign currency risk management

The company's principal foreign-exchange exposure is to the US dollar. The company generates approximately 31% of its external revenues in US dollars. The company is therefore exposed to foreign-exchange risk on the US dollar incomes, external loans as well as 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 company's US dollar-denominated monetary assets and liabilities at March 31st are as follows:

	Assets			Liabilities		
	2016 £000	2015 £000	2014 £000	2016 £000	2015 £000	2014 £000
US dollar	203,274	198,733	171,554	(205,484)	(203,499)	(175,258)

A series of US dollar contracts are put in place each month to sell forward surplus US dollars so as to hedge 75% 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.

NOTE 17 Financial risk management (continued)

Cashflow hedges - maturing in less than one year	2016	2015	2014
Average exchange rate	$1.52	$1.63	$1.61
Foreign currency ($000)	39,395	55,867	59,562
Contract value (£000)	26,282	34,753	36,721
Fair value (£000)	(1,104)	(2,348)	1,127

As at March 31st 2016, the aggregate amount of unrealised losses under forward foreign-exchange contracts deferred in the fair value reserve relating to future income transactions is £1,104,000 (2015: £nil, 2014: £nil). 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. There were no ineffective cashflow hedges in place at the year-end. In prior years, before the adoption of IFRS, the company did not apply hedge accounting so no amounts were deferred in equity.

The company does seek to create a natural hedge of its exposure to US dollar-denominated overseas net liabilities through its policy of aligning the currency composition of its UK-based US dollar assets and liabilities. Included within year-end net debt, the net borrowings in US dollars were £49,739,000.

Fair value of financial instruments

The determination of fair values of financial assets and financial liabilities are explained on note 24 to the consolidated financial statements.

As at March 31st 2016 and the prior years, all the resulting fair value estimates have been included in level 2, apart from deferred consideration which is classified as level 3.

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, receivables, payables and loans.

Financial instruments: sensitivity analysis

As at March 31st 2016 the sensitivity of the carrying value of the company's financial instruments to fluctuations in interest rates and exchange rates is as follows:

		Impact of 1%		Impact of 10%	
	Carrying value £000	increase in interest rates £000	decrease in interest rates £000	stronger US dollar £000	weaker US dollar £000
Inter-company receivables	202,571	-	-	19,278	(15,773)
Cash and cash equivalents	23,948	-	-	1,027	(840)
Derivative financial instruments	(1,104)	-	-	-	-
Other net financial assets	4,126	-	-	664	(543)
Inter-company payables	(271,631)	-	-	(14,661)	11,995
Bank loans	(73,816)	-	-	-	-
Borrowings	(58,977)	-	-	(6,553)	5,362
	(174,883)	-	-	(245)	201

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. There is minimal sensitivity to interest rate movements because the company settles external bank loan and inter-company interest in March prior to year-end and borrowings are at fixed interest rates. Other net financial assets comprises trade receivables less trade payables.

The sensitivities of derivative instruments are calculated using established estimation techniques such as discounted cashflow and option valuation models.

NOTE 18 Provisions for other liabilities and charges

	Deferred consideration £000
At April 1st 2014	1,348
Release in the year	(777)
Used in the year	(571)
At March 31st 2015 and 2016	-

NOTE 19 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:

	2016 £000	2015 £000	2014 £000
UK Group scheme	7,637	31,512	9,505
Unfunded retirement benefit scheme	214	2,247	1,766
Post-retirement medical benefits	1,477	1,693	1,599
	9,328	35,452	12,870

The company is a member of The Economist Group Pension Scheme (“UK Group Scheme”) which provides 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 26 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 81% 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.

NOTE 19 Retirement benefit and other post-retirement obligations (continued)

In addition, the company provides unfunded, unapproved pension arrangements in respect of certain former employees. The movement in the liability was as follows:

Present value of scheme liabilities	2016 £000	2015 £000
April 1st	2,247	1,766
Interest expense	75	79
(Gains)/losses from experience	(1,039)	120
(Gains)/losses from changes in financial assumptions - financial	(13)	291
(Gains) from changes in financial assumptions - demographic	(12)	-
Payments from the scheme - benefit payments	(1,044)	(9)
March 31st	214	2,247

Further information on the assumptions used to calculate the liability are shown in note 26 to the consolidated financial statements.

The company provides post-retirement medical benefits to certain former employees. At March 31st 2016, 34 retired and former employees (2015: 34) were eligible to receive benefits. The movement in the liability was as follows:

Present value of scheme liabilities	2016 £000	2015 £000
April 1st	1,693	1,599
Employer contributions	(100)	(100)
Interest expense	54	69
(Gains)/losses from experience	(48)	2
(Gains)/losses from changes in financial assumptions - financial	(56)	123
(Gains) from changes in financial assumptions - demographic	(66)	-
March 31st	1,477	1,693

Further information on the assumptions used to calculate the liability are shown in note 26 to the consolidated financial statements.

NOTE 20 Share capital

	No. of shares	Share capital £000
At March 31st 2014, 2015 and 2016	25,200,000	1,260

	March 31st 2016, 2015 and 2014	
Issued, fully paid shares	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 across the comparative period. The nominal value of authorised share capital is £2,000,005.

A summary of the rights of each class of shares is included in the Directors' report on page 19. The trust shares participate in a distribution of capital only to a limited extent and accordingly are not treated as equity share capital.

During the year, the company acquired 5,040,000 of its own ordinary shares in two separate transactions from Pearson plc. The company repurchased 2,490,000 shares on November 2nd 2015 and 2,550,000 shares on March 24th 2016. The repurchased shares are held in treasury and carry no rights.

On July 17th 2014, share capital was increased by one deferred share at £1 par value issued at a premium of £107,385,934. This represented the unrealised profit of the company credited to other reserves at March 31st 2014. The capital was reduced on the same day by the cancellation of the deferred share and the related share premium following a solvency statement made by the directors in accordance with section 643 of the Companies Act 2006.

NOTE 21 Employee Share Ownership Plan (ESOP)

	No. of shares	£000
At April 1st 2014	193,407	2,302
Purchase of ESOP shares	34,898	921
Sale of ESOP shares	(26,742)	(704)
At March 31st 2015	201,563	2,519
Purchase of ESOP shares	19,965	615
Sale of ESOP shares	(22,023)	(654)
At March 31st 2016	199,505	2,480

The nominal value of the ESOP shares which have a par value of 5p each amounted to £9,975 (2015: £10,078). 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 2016, 149,250 (2015: 76,750) of the shares are under option to employees and have been conditionally granted to them.

NOTE 22 Treasury shares

	No. of shares	£000
At April 1st 2014 and 2015	-	-
Purchase of treasury shares	5,040,000	188,823
At March 31st 2016	5,040,000	188,823

The company repurchased 5,040,000 shares in The Economist Newspaper Limited during the year and holds them in treasury. These shares are treated as treasury shares for accounting purposes and have a par value of 5p per share. The nominal value of the treasury shares amounts to £252,000 (2015: £nil). The shares do not attach any voting rights or rights to dividends. The shares represent 20% of called-up share capital (2015: 0%). The amount charged to treasury shares included the purchase price of £182,000,000 and compensation for dividends of £3,802,000 paid to Pearson plc and transaction costs of £3,021,000.

NOTE 23 Financial commitments

At March 31st, the company had committed to make the following payments in respect of operating leases on:

	2016	2015
Land and buildings	£000	£000
Within one year	3,421	1,586
Between two and five years	4,667	5,242
After five years	3,346	3,349
	11,434	10,177

At March 31st 2016, there was £3,064,000 capital expenditure contracted for but not provided in the financial statements (2015: £597,000).

There are contingent 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 company.

The company has guaranteed certain bank overdrafts and property leases of its subsidiaries. The annual cost of property leases guaranteed by the company is £4,169,000 (2015: £4,063,000)

NOTE 24 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.

These loans are unsecured and interest is calculated based on market rates. The company has interest payable to subsidiaries for the year of £1,869,000 (2015: £1,748,000) and interest receivable from subsidiaries for the year of £10,152,000 (2015: £9,459,000). Fees payable to subsidiaries in respect of services amounted to £7,962,000 (2015: £6,633,000). Fees receivable from subsidiaries in respect of services amounted to £8,167,000 (2015: £6,686,000). Licence and commission fees receivable from subsidiaries amounted to £25,521,000 (2015: £28,183,000). Commission fees payable to subsidiaries amounted to £3,032,000 (2015: £6,517,000). Dividends received from subsidiaries were £157,057,000 (2015: £4,958,000)

Shareholders

During part of the year, The Financial Times Limited owned 50% of the issued share capital in the company and was entitled to appoint six out of a total of 13 places for directors on the company's Board. The Financial Times Limited was a wholly owned subsidiary of Pearson plc. There were no material related party transactions with Pearson Plc and its subsidiaries during the year other than the transactions to buy-back 40% of their shareholding in two tranches over the year (see note 22).

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

Key management personnel

The key management personnel are deemed to be members of the company's Board and the Group management committee (see pages 16-18). Key management compensation paid or payable is set out below.

	2016 £000	2015 £000
Salaries and short-term employment benefits	2,549	2,786
Retirement benefits	306	196
Share-based payment costs	1,238	707
	4,093	3,689
Of which:		
Executive directors	1,491	1,687
Non-executive directors	394	392
Other Group management committee executives	2,208	1,610
	4,093	3,689

The directors who served during the year received dividends of £217,000 (2015: £221,000) in respect of ordinary shares held in the company.

NOTE 25 Events after the balance-sheet date

There were no material events after the balance-sheet date.

NOTE 26 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 2016 are disclosed below. Unless otherwise stated the shares are indirectly held by The Economist Newspaper Limited. All wholly owned subsidiaries 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
Broadcast Consultancy Limited (The)	100%	Dormant	United Kingdom
Business International do Brasil Ltda	100%	Dormant	Brazil
Capitol Advantage LLC	100%	Directories publisher	US
CFO Publishing Holdings, Inc	28%	Investment holding company	US
CFO Publishing LLC	28%	Publisher and events business	US
Clearstate (Pte.) Limited	100%	Healthcare consulting	Singapore
CQ-Roll Call, Inc	100%	Publishing and information services	US
Dartford Printing Limited*	100%	Dormant	United Kingdom
Digital News Agency Limited (The)	100%	Dormant	United Kingdom
Economist (Shanghai) Management Consulting Company Limited (The)	100%	Publishing, events and information services	China
Economist Books Limited (The)*	100%	Dormant	United Kingdom
Economist Digital Services Limited*	100%	Digital service provider	United Kingdom
Economist Editorial (Overseas) Company Limited (The)*	100%	Representative agent	United Kingdom
Economist Educational Foundation (The)*	100%	Charity	United Kingdom
Economist Group (Brazil Holdings) Limited (The)*	100%	Investment holding company	United Kingdom
Economist Group (Asia/Pacific) Limited (The)	100%	Events and information services	Hong Kong
Economist Group (Holdings) BV (The)	100%	Investment holding company	The Netherlands
Economist Group (Investments) Limited (The)	100%	Investment holding company	United Kingdom
Economist Group (Switzerland) SA (The)*	100%	Media services	Switzerland
Economist Group (US Holdings) Limited (The)	100%	Investment holding company	United Kingdom
Economist Group BV (The)	100%	Dormant	The Netherlands
Economist Group do Brasil de Informacao sobre Negocios Limitada (The)†	100%	Business information	Brazil
Economist Group France SARL (The)*	100%	Media services	France
Economist Group GmbH (The)	100%	Investment holding company	Austria
Economist Group Limited (The)	100%	Investment holding company	United Kingdom
Economist Group Singapore Pte Limited (The)*	100%	Investment holding company	Singapore
Economist Group Trustee Company Limited (The)*	100%	Trustee services	United Kingdom
Economist Intelligence Unit Canback, Inc (The)	100%	Consulting services	US
Economist Intelligence Unit Canback SA (Pty) Limited (The)	100%	Consulting services	South Africa
Economist Intelligence Unit Limited (The)*	100%	Information services and events	United Kingdom
Economist Intelligence Unit, NA, Incorporated (The)	100%	Events and information services	US
Economist Investments (Holdings) Limited (The)*	100%	Investment holding company	Guernsey
Economist Newspaper (Asia/Pacific) Limited (The)	100%	Dormant	Hong Kong
Economist Newspaper Group Incorporated (The)	100%	Publisher and management services	US
Economist Newspaper, NA, Incorporated (The)	100%	Media services	US
Economist Overseas (Holdings) Limited (The)	100%	Investment holding company	United Kingdom
Economist Publications Limited*	100%	Dormant	United Kingdom
EuroFinance Conferences Limited*	100%	Events and training	United Kingdom
Radio Consultancy Limited (The)	100%	Dormant	United Kingdom
Ryder Street Properties (Management) Limited*	100%	Dormant	United Kingdom
Ryder Street Properties Limited	100%	Property management	United Kingdom
TEG Delaware LLC	100%	Dormant	US
TEG India Private Limited	100%	Events and media services	India
TEG Massachusetts Corporation	100%	Investment holding company	US
TEG New Jersey, LLC	100%	Dormant	US
Television Consultancy Limited (The)	100%	Marketing services	United Kingdom
TVC Group Limited*	100%	Investment holding company	United Kingdom
TVC Public Relations Limited	100%	Dormant	United Kingdom

* Directly owned by The Economist Newspaper Limited

† Year-end December 31st

NOTE 26 Group companies (continued)

For the year ended March 31st 2016, 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		Company registration number
Broadcast Consultancy Limited (The)	Dormant	04986442
Dartford Printing Limited	Dormant	2893629
Digital News Agency Limited (The)	Dormant	06451318
Economist Books Limited (The)	Dormant	1775942
Economist Editorial (Overseas) Company Limited (The)	Dormant	3312640
Economist Group (Brazil Holdings) Limited (The)	Dormant	9164810
Economist Group Trustee Company Limited (The)	Dormant	1775932
Economist Publications Limited	Dormant	1775671
Radio Consultancy Limited (The)	Dormant	03701668
Ryder Street Properties (Management) Limited	Dormant	1985839
TVC Public Relations Limited	Dormant	5587380

NOTE 27 Transition to IFRS: reconciliations under IFRS 1

These financial statements represent the first annual financial statements of the company prepared in accordance with IFRS. Further information on the transition process including initial elections taken upon adoption, IFRS mandatory exceptions and changes in accounting policies are provided in note 35 to the consolidated financial statements.

Reconciliation of UK GAAP to IFRS

IFRS 1 requires the company to reconcile equity, comprehensive income and cashflows for prior periods. The company has presented its cashflow for the first time following adoption of IFRS. The following represents the reconciliations from UK GAAP to IFRS for the respective periods noted for equity, earnings and comprehensive income:

Reconciliation of equity

	March 31st 2015 £000	March 31st 2014 £000
Shareholders’ funds under UK GAAP	135,955	154,209
Differences increasing/(decreasing) reported shareholders’ equity:		
2. Derivative instruments and hedging activities	(1,854)	890
3. Employee benefits	(26,075)	(8,212)
4. Leases	(645)	(392)
Investments in subsidiaries (see below)	271,623	271,623
Total equity under IFRS	379,004	418,118

NOTE 27 Transition to IFRS: reconciliations under IFRS 1 (continued)

Reconciliation of earnings

	March 31st 2015 £000
Net earnings under UK GAAP	23,318
Differences in GAAP increasing/(decreasing) reported earnings:	
2. Derivative instruments and hedging activities	(2,745)
3. Employee benefits	1,020
4. Leases	(254)
Net earnings under IFRS	21,339

Reconciliation of comprehensive income

	March 31st 2015 £000
Comprehensive income under UK GAAP	22,854
Differences in GAAP increasing/(decreasing) comprehensive income:	
Differences in net earnings, net of tax	(1,979)
Actuarial losses on defined benefit obligations, net of tax	(18,881)
Comprehensive income under IFRS	1,994

In addition to the exemptions discussed in note 35 to the consolidated financial statements, there are significant differences between the previous historical UK GAAP accounting policies and the current IFRS accounting policies applied by the company, which are explained in note 35 to the consolidated financial statements. The descriptive caption in this note is numbered to correspond with differences shown in the preceding tables.

In addition to the differences explained in note 35 to the consolidated financial statements, the company has measured investments in subsidiaries at deemed cost in its opening financial statements under IFRS. Deemed cost represents previous UK GAAP carrying amount at the date of transition to IFRS for certain subsidiaries and fair value for certain subsidiaries. Fair value was determined in accordance with IFRS 13 “Fair Value Measurement” and gave rise to an increase of £271,623,000 in the carrying value of subsidiaries.

The company intends to prepare its next financial statements in accordance with Financial Reporting Standard 101, “Reduced Disclosure Framework” (FRS 101). FRS 101 sets out a reduced disclosure framework for a “qualifying entity” as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. Shareholders of the company may object to the use of the reduced disclosure framework by writing to the company secretary at the company’s registered office before March 31st each accounting year.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of The Economist Newspaper Limited will be held at the British Academy of Film and Television Arts, 195 Piccadilly, London W1J 9LN on Tuesday July 19th 2016 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 2016.
2. To declare a final dividend of 129.8 pence per share in respect of the year ended March 31st 2016 to all "A" Special, "B" Special and Ordinary shareholders on the company's register of members at the close of business on June 14th 2016.
3. To reappoint PricewaterhouseCoopers 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.
5. To consider and, if thought fit, to pass the following resolution as a special resolution[1]:

THAT

(a) the capital of the Company be and is hereby increased by the creation of one new deferred share of £1 (the "Deferred Share") having attached thereto the following rights and restrictions:
- (i) the Deferred Share shall:
  - (A) not entitle its holder to receive any dividend or other distribution (other than pursuant to paragraph (C) below);
  - (B) not entitle its holder to receive notice of or to attend (either personally or by proxy) or vote at (either personally or by proxy) any general meeting of the Company;
  - (C) entitle its holder on a return of assets on a winding up of the Company (but not otherwise) to repayment of the amount paid up or credited as paid up on it up to a maximum of £1 per share, only after payment:
    - i. in respect of each Trust Share, of the aggregate of the capital paid up or credited as paid up on such share; and
    - ii. in respect of each Ordinary Share, "A" Special Share and "B" Special Share, of the aggregate of the capital paid up or credited as paid up on such share and the payment in cash or specie of £1 billion on each such share;
  - (D) not entitle its holder to any further or other right of participation in the assets of the Company; and
  - (E) not be transferable;
- (ii) the issue of the Deferred Share shall be deemed to confer on the Company irrevocable authority at any time thereafter to retain the certificate for such Deferred Share, pending its cancellation;
- (iii) any cancellation of the Deferred Share for no consideration by way of reduction of capital shall not involve a variation of the rights attaching thereto; and
- (iv) the rights attached to the Deferred Share shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking in priority to or *pari passu* with or subsequent to such shares or by any amendment to or variation of the rights of any other class of shares of the Company;

[1] An explanatory note is included on page 120.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

(b) the Directors be and hereby are generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot the Deferred Share of £1 in accordance with this resolution, such authority to expire on March 31st 2017 and to be additional and without prejudice to any authority to allot shares existing at the date hereof;
(c) notwithstanding the requirement in Article 161 of the Articles of Association to appropriate capitalised reserves pro rata to the holders of Ordinary Shares, "A" Special Shares and "B" Special Shares in paying up on their behalf shares of a nominal amount equal to the sum capitalised, the directors be and are hereby authorised:

(i) to capitalise the sum of £268,799,000 being the amount standing to the credit of the "revaluation reserve" of the Company at March 31st, 2016 (representing an unrealised profit of the Company); and
(ii) to appropriate such sum, and apply such amount in paying up in full one Deferred Share of £1 for allotment and distribution credited as fully paid up, to Mr Oscar Grut, with £268,798,999 of the amount so appropriated being transferred to the Company's share premium account; and

(d) the Directors of the Company having made a solvency statement in accordance with section 643 of the Companies Act 2006:

(i) the Company's share capital be reduced from £1,260,006 to £1,260,005 by cancelling the Deferred Share of £1 in the capital of the Company; and
(ii) the share premium account of the Company be cancelled.

By order of the Board
Oscar Grut
Secretary

Registered Office
25 St James's Street
London SW1A 1HG

June 14th 2016

A member entitled to attend and vote at this meeting may appoint a proxy, who need not be a shareholder, to attend, speak and vote in his place. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member. The appointment of a proxy will not prevent a member from attending and voting at the meeting in person.

A form of proxy is enclosed. To be valid, it must be completed and signed in accordance with the instructions and delivered to the company's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY at least 48 hours before the meeting.

NOTICE OF GENERAL MEETING OF "A" SPECIAL SHAREHOLDERS

Notice is hereby given that a separate general meeting of the holders of the "A" Special Shares will be held at the British Academy of Film and Television Arts, 195 Piccadilly, London W1J 9LN on Tuesday July 19th 2016 immediately following the annual general meeting to be held at 12.15pm for the purpose of considering and, if thought fit, passing the following resolution as a special resolution:

THAT this separate general meeting of the holders of the "A" Special Shares of 5 pence each hereby sanctions and consents to every variation or abrogation of the special rights attached to those shares which is, may be or is deemed to be involved in or effected by the passing or implementation of resolution 5 set out in the notice convening the annual general meeting of the Company for July 19th 2016, a copy of which notice has been produced to this meeting and, for the purpose of identification, signed by the Chairman.

By order of the Board
Oscar Grut
Secretary

Registered Office
25 St James's Street
London SW1A 1HG

June 14th 2016

A member entitled to attend and vote at this meeting may appoint a proxy, who need not be a shareholder, to attend, speak and vote in his place. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member. The appointment of a proxy will not prevent a member from attending and voting at the meeting in person.

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EXPLANATORY NOTES TO THE SPECIAL RESOLUTION

Background

Under UK company law, the Company may only pay a dividend to its members out of distributable reserves (which, in general terms, is the sum of realised profits and losses). The Company's distributable reserves have been reduced significantly in the last year as a result of the repurchase of 5,040,000 Ordinary Shares and its adoption of International Financial Reporting Standards (IFRS). The adoption of IFRS also exposes the Company to further volatility in distributable reserves in the future, as explained below. The Board therefore proposes to undertake a reduction of capital in order to generate additional distributable reserves in the Company, thereby preserving its ability to pay dividends in the future.

The share repurchase in the year ended March 31st 2016 reduced the Company's distributable reserves by £188,823,000. This was partially mitigated by the sale of the Economist Complex by the Company's subsidiary, Ryder Street Properties Limited (RSP), which, following the payment of an intra-group dividend from RSP to the Company, resulted in a realised profit of £107,000,000.

The adoption of IFRS had additional consequences for the Company's distributable reserves, as we explained when a capital reduction was approved in 2014: the current amount of the UK defined-benefit pension scheme deficit has been reflected as a realised loss, decreasing distributable reserves, and any future worsening of the deficit will be reflected as a further realised loss; and movements in foreign-exchange rates on non-sterling balances outstanding between the Company and its subsidiaries cause foreign-exchange gains and losses that are reflected in the level of distributable reserves in the Company, causing increased volatility on an ongoing basis.

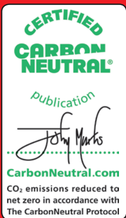
Proposal

The Board proposes to increase the Company's distributable reserves as follows.

The Company currently carries a number of its subsidiaries in its accounts at values that are significantly lower than their fair (or market) values, as defined under IFRS. As part of the transition to IFRS, the Company is permitted to increase this carrying value to fair value as at the date of its transition to IFRS, which was April 1st 2014. This is a one-off opportunity available to first-time adopters of IFRS. The Board therefore intends to revalue certain of its subsidiaries, thereby creating an unrealised gain of £268,799,000. It is then proposed that the directors be authorised to capitalise this unrealised profit of £268,799,000 by applying it in paying up one new deferred share, with the excess of £268,798,999 over its £1 nominal value being transferred to the Company's share premium account. The deferred share, due to its very restricted rights, will have no economic value. The Company will then cancel both the deferred share and the associated share premium pursuant to a reduction of capital. It is expected that the reserve of £268,799,000 arising on cancellation will be distributable.

The capitalisation of profit and subsequent capital reduction require shareholder approval. Resolution 5 will be proposed as a special resolution at the annual general meeting for this purpose. The trustees of the Company, who hold the trust shares in the Company, are entitled to vote on this resolution pursuant to Article 79(B) of the Company's articles of association. They have informed the Company that they do not object to this proposal and therefore do not intend to vote the trust shares on the resolution. The votes of holders of Ordinary Shares, "A" Special Shares and "B" Special Shares will therefore determine whether it is passed.

Although the deferred share will have no economic value and is expected to be in issue for only a short period, under the articles of association of the Company, its issue to Mr Oscar Grut (who is Group General Counsel and Company Secretary) is deemed to be a variation of the class rights of the holders of the "A" Special Shares and of the "B" Special Shares. The holders of not less than three-fourths in nominal amount of the "B" Special Shares have consented in writing to this deemed variation. The consent of the holders of the "A" Special Shares will be sought at a separate meeting of the holders of the "A" Special Shares, which will be held immediately after the annual general meeting.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