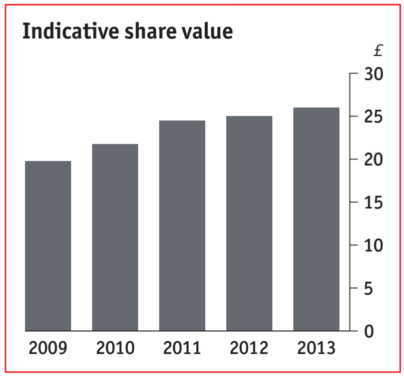
The Economist Group

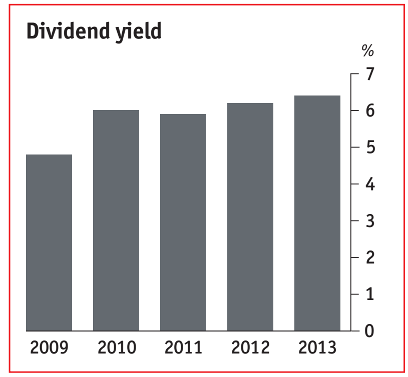
Annual report 2013

ANNUAL REPORT

REPORT AND ACCOUNTS

FIVE-YEAR SUMMARY





	2013	2012	2011	2010	2009
Profit and loss	£m	£m	£m	£m	£m
Turnover	346	362	347	320	313
Operating profit	**68**	**67**	**63**	**58**	**56**
Non-operating exceptional items	-	-	-	(1)	-
Profit on ordinary activities before interest	68	67	63	57	56
Net interest	(4)	(3)	(4)	(7)	-
Profit before taxation	64	65	60	50	56
Profit after taxation	49	47	44	38	38
Balance sheet and cashflow					
Fixed assets	145	131	124	132	69
Net (borrowings)/cash	(25)	(11)	(15)	(38)	13
Net current liabilities	(69)	(65)	(56)	(57)	(50)
Long-term creditors and provisions	(87)	(71)	(57)	(77)	(34)
Net (liabilities)/assets	(11)	(5)	12	(2)	(15)
Net cash from operating activities	60	70	78	63	57
Ratios	2013	2012	2011	2010	2009
Operating profit to turnover	19.5%	18.6%	18.2%	18.0%	17.8%
Basic earnings per share	194.4p	188.7p	176.5p	152.5p	151.2p
Normalised earnings per share	194.4p	188.7p	176.5p	164.0p	151.2p
Dividends paid and shares					
Final and interim dividend per share	123.2p	116.0p	104.1p	99.6p	95.3p
Special dividend per share	40.0p	40.0p	39.7p	31.7p	0.0p
Total dividend per share	163.2p	156.0p	143.8p	131.3p	95.3p
Times covered (excluding non-operating exceptional items)	1.2	1.2	1.2	1.2	1.6
Indicative share value	£26.00	£25.00	£24.50	£21.75	£19.75
Dividend yield	6.3%	6.2%	5.9%	6.0%	4.8%

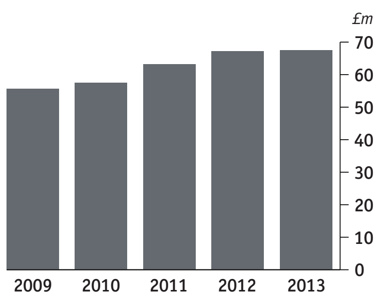
GROUP OVERVIEW

OPERATING PROFIT
£68m
up 0.3%

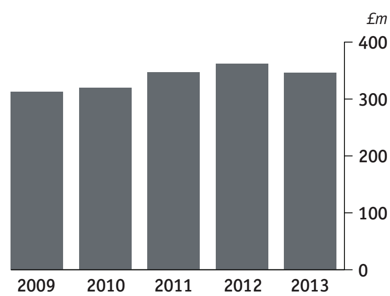
OPERATING MARGIN
19.5%
up 0.9%

PROFIT AFTER TAX
£49m
up 3%

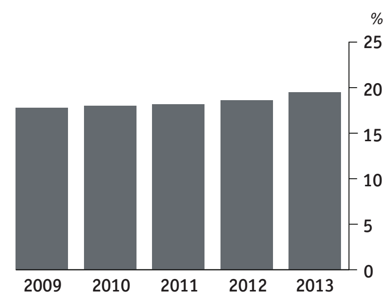
Group operating profit



Group turnover

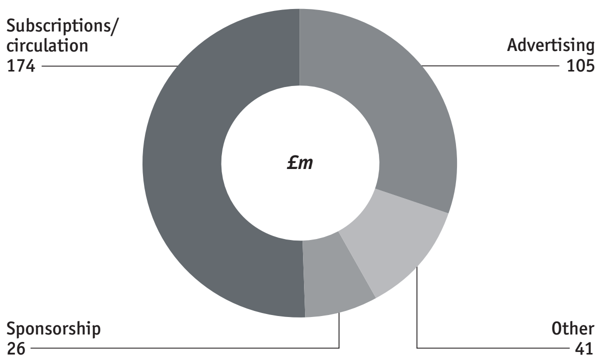


Operating profit margin



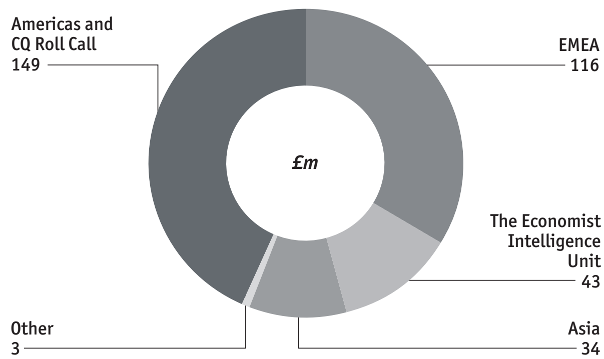
Group revenue breakdown

2013



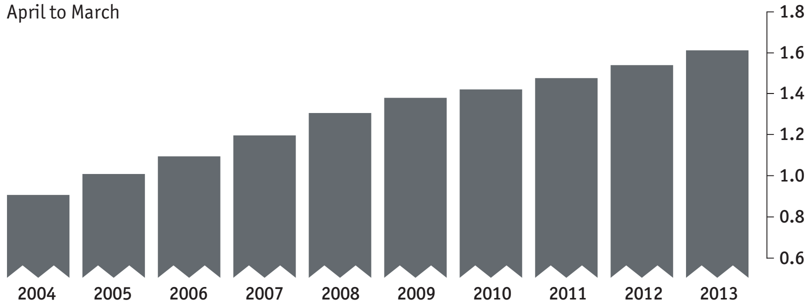
Turnover by business

2013



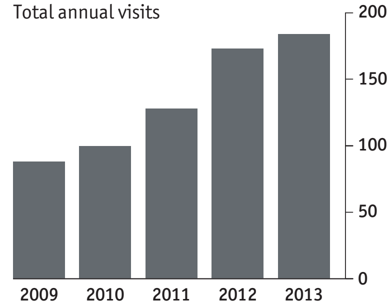
The Economist global circulation, print and digital

April to March



The Economist online

Total annual visits



FROM THE CHAIRMAN

The Group did well in difficult circumstances. Operating profit of £67.5m edged ahead of last year's record. Profit after tax increased 3% to £48.7m. Earnings per share also rose 3%, to 194.4p. The Board is recommending a final dividend of 88.7p per share. As a result, the full-year dividend, excluding the special dividend we paid in December 2012, will be 128.9p, 7% higher than last year's. Including the special dividend, the yield against the current share price will be 6.5%.

> *"We will keep investing for the long term"*

Trading conditions were tough all year, and the market changes we have highlighted for some time are accelerating. In particular, print advertising fell again in both *The Economist* and *Roll Call*. Our record results in the face of these pressures reflect four features of our strategy.

First, we continue to concentrate on circulation revenue and profitability, and to do so across the Group. In the past year 60% of revenue came from selling content as opposed to advertising and other marketing services, compared with 44% five years earlier. Profitability of circulation from *The Economist* reached an all-time high. At the Economist Intelligence Unit nearly all revenue comes from selling content, and the same is true for CQ Roll Call's business.

Secondly, the Group is increasingly digital. At *The Economist* digital revenue grew by 13% in the year, and almost all the EIU's and more than three-quarters of CQ Roll Call's revenues come from digital products or digitally delivered services. Across the Group 39% of revenue now comes from digital sources, compared with 29% three years ago.

Thirdly, we have benefited from the diversity of the Group's revenue, in terms both of products and of geography. For example, our revenues from customers based in Asia were up by 7%; EIU revenue increased by 7%; and TVC, the marketing agency we bought in March 2012, accounted for 7% of all the revenue we get from UK customers.

Lastly, we have cut costs across the business. We made the difficult decision to reduce staff numbers by 125, despite gaining 44 people in the two healthcare-information companies we bought during the year.

The outlook remains testing. We expect many OECD economies to stagnate, though we see signs of recovery in the US, and we assume the market for print advertising will carry on shrinking. In response we will follow the same strategy that delivered this year's result: concentrating on circulation, particularly of *The Economist*; investing in digital and where we see other opportunities (such as in Asia and the EIU); and ensuring tight control of costs. We will keep investing for the long term, though this strategy is likely to reduce earnings this year.

Our staff have responded magnificently to the many challenges we face. On behalf of the Board and all our shareholders, I thank them.

As I'm sure you know, Andrew Rashbass is leaving us this summer to become chief executive of Reuters. Andrew has led The Economist Group for the past five years, during which there has been a financial crash, a world recession and a revolution in publishing that has hugely disrupted the business of traditional media companies. The fact that your Group has nonetheless just achieved another year of record profits is itself testament to Andrew's clear head and decisive management. We will miss him, but he goes with our thanks and best wishes.

RUPERT PENNANT-REA

FROM THE CHIEF EXECUTIVE

This year has been the most difficult in recent times. Our successful result stems from the progress we are making with our strategy, tight cost control, the strength of our brands and the commitment and skill of everyone who works here. I thank our staff for the contribution each of them makes to our success.

For *The Economist* and its associated businesses, we continue to succeed because the newspaper works well in digital formats such as our iPad edition; the brand remains relevant because our readers need to know what is going on beyond the borders of the country in which they live; and we have the right editorial and marketing skills. Although more and more people are reading digitally, many are adding digital rather than stopping reading print. Our products and business model accommodate this and we continue to invest in digital editions, in building profitable circulation and in Economist.com.

Profit from circulation has always been important but it is becoming even more so. Overall, profit from circulation of *The Economist*, regardless of whether it is digital or in print, comes from efficient marketing, premium pricing, tightly managed direct costs, good renewal rates and, with all of those in place, having more paying readers. We are making sure that the lifetime value of our subscribers grows, in whatever format they buy *The Economist*.

Our digital-advertising capabilities and our ability to help clients with marketing services beyond advertising are evolving, too, to match the changing needs of our clients.

Susan Clark, Nigel Ludlow, Paul Rossi and Tim Pinnegar talk more about all of these circulation and marketing-services trends in the pages that follow.

The Economist Intelligence Unit continues to grow under Chris Stibbs's leadership. Rich-world companies are looking to emerging markets for growth and emerging-market companies and nations are looking for growth abroad. To suit these new customers, we have made the EIU's subscription products more event-driven and easier to navigate, developed our custom-research capabilities and launched EIU Healthcare. As part of our development of our healthcare-information business, we have acquired Clearstate in Singapore and Bazian in London. Clearstate undertakes market research among doctors, hospitals and other healthcare providers in emerging markets, particularly in Asia. Bazian helps clients to use reliable evidence to design treatment pathways and make better healthcare purchasing decisions. Chris describes our progress on page 8.

> ***"I thank our staff for the contribution each of them makes to our success"***

At CQ Roll Call, our coverage of legislation and now regulation, continues to lead the market in comprehensiveness and depth. The market for information in Washington is competitive and government budgets are being squeezed, but our new advocacy and regulation-related products and services position us well. Keith White, who runs CQ Roll Call, writes about our performance on page 12.

I am leaving The Economist Group after 15 years. I want to thank our staff and our shareholders for the support they have always given me. It has been a privilege to work here. Our people are committed, expert and fun. I wish them and the company continued good fortune.

ANDREW RASHBASS
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EDITORIAL REVIEW

It was a year of political competition and economic sluggishness. In the American election, *The Economist* backed the winner; in France, Italy and Russia we did not. Our new China section did not have an obvious effect on the accession of Xi Jinping. Our relatively pessimistic view of the euro (stagnation, not break-up) and our relative optimism about the American economy (a bounce-back, not a surge) have so far been proved correct. Our covers ranged from the third industrial revolution to the troubles of François Hollande and the importance of microbes. We have continued to expand our digital output, launching new blogs covering the Middle East (Pomegranate), development and demography (Feast and famine) and religion and public policy (Erasmus). Economist Radio, a new way to listen to our audio content digitally, now attracts 2.4m “listens” a month, while our Facebook fans have reached 1.5m and we have more than 3m followers on both Twitter and Google Plus.

Economist.com won the Best specialist site for journalism in the 2012 Online media awards. Zanny Minton-Beddoes won the senior Wincott financial journalist award and Alexandra Suich won the junior one, a rare double. Zanny also won the 2012 Gerald Loeb commentary award, alongside Patrick Foulis, Edward Carr, John Peet and John O’Sullivan. Oliver August and Helen Joyce won other prizes for their coverage of Africa and Brazil. The saddest part of our year, however, was the death of our Washington bureau chief, Peter David, in a car crash.

The Economist Intelligence Unit’s country-analysis teams topped the *Sunday Times* annual league table of UK forecasters in 2012. There was a surge of interest in scenarios relating to a possible euro-zone break-up. Helping Western multinationals analyse emerging markets, especially Sub-Saharan Africa, is a growing task for EIU Editorial, though our custom-research teams undertook an increasing amount of work for emerging-market companies looking to invest in the West. Our strength in the healthcare sector has been greatly enhanced by the addition of the editorial teams at both Clearstate and Bazian.

Intelligent Life has had its first full year as a bimonthly and has increased both revenues and profits. It now has 72,000 iPhone users and 45,000 downloads per issue on the iPad, on top of a print circulation of 175,000. In March a one-off iPad edition featured 75 of our best photographs from 25 issues. We are preparing the first *Intelligent Life* festival. Our biggest hit this year came when we put David Bowie on the cover: he responded by coming out of retirement.

“We have continued to expand our digital output”

CQ Roll Call’s year inevitably focused on campaigning rather than policy. Within two days of the US congressional elections we published our “New Member Guide”, with profiles of every newly elected member, essentially introducing them to Washington. In November we also consolidated our two print dailies into *Roll Call* and hired a new editor, David Rapp. *CQ*, meanwhile, has concentrated on the budget-and-tax debate.

JOHN MICKLETHWAIT
EDITOR-IN-CHIEF
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ECONOMIST DIGITAL

Readers and advertisers are trying out new channels, platforms and technologies as quickly as Silicon Valley and Madison Avenue (or, perhaps, Umyeon-dong and Flatiron) can create them. They are adopting many of the new and, somewhat to our surprise, not abandoning all of the old. Our business is richer, more complex and more challenging as a result. Our focus this year was keeping on top of these changing needs.

We improved the stability of our iPad and iPhone apps, and added some much-requested new functions. (Our ratings in the Apple stores around the world are in the 4.0–4.5 range.) We extended our portfolio of digital editions to include apps for Windows 8 Tablet, BlackBerry PlayBook and BlackBerry 10 Smartphone to sit alongside our existing apps for iPad, iPhone, Android Tablet and Smartphone. We are optimising our website for mobile to keep up with our ever-more mobile readers.

"With the full roll-out next year of the new agnostic marketing approach, we expect even more customers to choose to pay for digital access"

As readers around the world increasingly enjoy reading and listening across multiple platforms, we built and launched an infrastructure that allows us to sell subscriptions in a fully platform-agnostic way. Our marketers can now sell simply *The Economist*, regardless of the format or combination of formats a reader prefers. The new system makes it possible for readers to buy print-only, digital-only, web-only or a full bundled subscription to *The Economist*. Rolled out first in North America, the results have consistently shown that 78% or more of our readers will pay for digital: 54% choose print plus digital, 22% choose print only, and 24% digital only.

To encourage more readers to buy subscriptions, we made changes to our website paywall, decreasing the number of free articles. In the course of the year, we have more than doubled both registrations and subscriptions from our website paywall. Digital-only circulation revenue grew by 53%.

The average number of weekly active readers of our digital editions in December was 642,020, up 11% year on year. Economist.com had 9.7m unique readers in November, 18% more than a year earlier. An important driver of this growth was the increase in mobile-device users—by year end, 21% of visits came from mobile devices.

On the advertising side, ad revenue grew 67% in our digital editions. We won the tablet advertisement category of the Digital Magazine Awards 2012 for an Avis campaign. Demand for online advertising was weaker, however, particularly in North America.

With the full roll-out next year of the new agnostic marketing approach, we expect even more customers to choose to pay for digital access. By focusing on selling *The Economist* rather than print or digital and offering readers a platform-agnostic choice of how to read it, we have expanded our prospect pool and look forward to continued growth in readership.

SUSAN CLARK
MANAGING DIRECTOR, ECONOMIST DIGITAL
GROUP MARKETING DIRECTOR
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THE ECONOMIST INTELLIGENCE UNIT

The Economist Intelligence Unit (EIU) had another strong year, despite the difficult economic environment. Revenue grew by 7% and profit reached a record level. The subscription business remained robust, supported by the introduction of a daily events-driven service; the custom-research business continued its recent record of double-digit growth; and we launched EIU Healthcare.

Our editorial agenda was dominated by misery and opportunity in equal measure. The misery was in Europe, where we focused our efforts on helping clients quantify the risks of a euro break-up and the business difficulties caused by political paralysis across the region. The opportunity was throughout the emerging world, but most obviously in Africa. Clients are intensely interested in the consumer and business potential across the continent, and we devoted considerable resources to identifying not just promising countries for investment, but also promising cities.

As was the case last year, client budgets for our core subscription services were under pressure in the developed markets of Europe and North America. Strong growth was again achieved in Asia and we are pressing ahead with plans to place an even greater emphasis there. Globally, renewal rates remained strong at around 90%. Outright cancellations remained low, but more clients reduced the number of products and services purchased. New business offset these buy-downs.

Once again the custom-research business saw strong growth, and we go into 2013-14 with a healthy pipeline of new business.

> ***"The core subscription business remains resilient, our growth plans for custom research show real returns and our new EIU Healthcare division has great potential"***

We acquired Clearstate, a Singapore-based healthcare-information company, in April, and the EIU global sales team are already winning new business for it. We bought Bazian, a UK company specialising in evidence-based outcome assessments, primarily for healthcare providers. We have integrated both acquisitions, and I am confident we have a strong platform on which to grow a world-class healthcare-information business.

We now combine our traditional monthly forecasts and analysis with a rapid assessment of events in over 200 markets. This significant change to our editorial operations supports our strategy of providing clients with the information they need to make timely business decisions. We continued to expand our capabilities in custom research, introducing new methodologies and entering new markets. Asia is also an area of focus, where we help Western clients operate within the region and, increasingly, support local firms operating internationally. We plan to increase our presence in Asia in 2013 by relocating analysts from London to our offices in China, Hong Kong and Singapore.

The economic environment is unlikely to improve significantly. However, the core subscription business remains resilient, our growth plans for custom research show real returns and our new EIU Healthcare division has great potential. All these reasons, as well as my confidence in the talented and hard-working staff who create, sell and market our services around the world, make me optimistic about the year ahead.

CHRIS STIBBS
MANAGING DIRECTOR, THE ECONOMIST INTELLIGENCE UNIT
GROUP FINANCE DIRECTOR
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AMERICAS

The year was a challenging one as we coped with the uncertainty in the US economy caused by the election and the "fiscal cliff", as well as the continued structural changes resulting from the shift from print to multi-platform reading and advertising.

Our readers are at the forefront in the adoption of tablets, and they are increasingly reading and even listening to *The Economist* across multiple platforms. Today over half our readers own a tablet and that number can only grow. Reflecting this trend we have modified our pricing, and now use fully platform-agnostic marketing offers to sell subscriptions. We have found that the majority of our readers are prepared to pay for digital content, either exclusively or as part of a premium-priced print and digital bundled subscription. Pew Research Center's "State of the News Media 2013" report observed of *The Economist*: "Perhaps more so than any of the other news publications, it has moved aggressively to build up its digital subscriber base." While print circulation has declined, digital reading has grown, and our overall circulation in the region rose by 2% from 922,552 to 938,696 copies.

"Our readers are at the forefront in the adoption of tablets, and they are increasingly reading and even listening to The Economist across multiple platforms"

As readers move to multi-platform consumption, marketers have reallocated their budgets. Our print advertising sales dropped in line with the market. Over the year we have introduced several initiatives to increase revenues from the areas where marketing budgets are growing. To capitalise on the growth in advertising in apps, we were the first magazine in the United States to introduce a rate base (the guaranteed distribution for advertisers) for digital editions. The focus on our events and thought-leadership business paid off, with their combined contribution tripling year on year. In addition, we launched a "white-label" or unbranded content-development business to capture some of our clients' increasing spend on content marketing. To tap into marketing services budgets, and to be able to offer more competitive integrated programmes to clients, we opened the US office of TVC in New York.

Our Which MBA? business, which helps prospective MBA students connect to business schools through online fairs, webinars and rankings, continued to grow. Students from over 145 countries attended our online events. We now also provide an online Graduate Management Admission Test (GMAT) preparation service. As this service rolls out over the coming year, we see great opportunity to engage with future MBAs and potential Group customers.

In response to the difficult trading environment, we restructured Economist Education and the Ideas People Channel businesses to ensure that our resources are aligned with areas of growth.

Looking ahead, we will continue to invest in building the circulation of *The Economist* through additional direct and brand marketing while developing products and solutions to meet the changing needs of marketers. Our brand remains strong; indeed, the Harris Poll Equitrend survey named *The Economist* the "Weekly News Magazine Brand of the Year" in 2012 and 2013. Although the outlook is mixed, I believe we are well placed to manage the cyclical and structural changes in our markets.

PAUL ROSSI
MANAGING DIRECTOR AND EVP, AMERICAS
paulrossi@economist.com

ASIA

We have been finding new sources for growth in Asia. Prior to 2012 our business in the region grew robustly on the back of healthy print advertising and print subscription revenues. Growth in these areas disappeared during the year as the structural changes affecting the business in other parts of the world took hold in Asia; advertising budgets, for the first time, showed a clear migration from print to digital; and there were significant advances in digital reading. But strong growth in non-print revenues, coupled with tight cost control, fed through into creditable top- and bottom-line performances.

Although structural changes will continue to put pressure on the Asia business, other trends in the region give cause for optimism, in particular the rise of Asian companies—some globalising for the first time, others accelerating their globalisation. The *Fortune* 500 in 2012 includes 179 companies from Asia compared with 159 from Europe. The Boston Consulting Group's list of top 100 Global Challengers included 58 companies from the region. As these companies search for new opportunities overseas, they need and value a global perspective. We are in a unique position to capitalise on this across our Group businesses.

"Strong growth in non-print revenues, coupled with tight cost control, fed through into creditable top- and bottom-line performances"

Looking to 2013-14 and beyond, we believe there are two key drivers of growth. First, continuing the profitable transition from print to multi-channel publishing; and second, developing lines of business which capitalise on the tilt in economic power to the East.

Forty years after the first mobile call was made, there are now 7 billion connected mobile devices worldwide, with countries such as Singapore (92%), Hong Kong (87%), Australia (79%) and South Korea (76%) having the highest penetration rates. Alongside this is a huge increase in the number of tablets being sold in the region. We expect to see a significant portion of our readers buying digital only or the higher-priced print and digital bundle.

China and India loom large in any consideration of new income streams. We continue to build our readership in India, including developing a mobile product specifically for this market; and we plan to increase our focus on China. The newspaper has a strong business providing advertising and other marketing services to Chinese companies seeking a global audience. As we build this client base, we are also actively seeking a way to tap into China's vast business community. Challenges abound: English-language comprehension is low; media censorship is always a threat; and there is unwillingness among consumers to pay for media. But recent research has unearthed a subset of executives who value the global perspective *The Economist* brings. Although it is relatively small in size today, at 2m people, we expect this group to grow fast.

Lastly, I would like to thank our staff in Asia who have worked hard over a challenging year and have helped put in place the strategies that leave us well positioned to continue the growth of previous years.

TIM PINNEGAR
MANAGING DIRECTOR, ASIA
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EUROPE, MIDDLE EAST AND AFRICA (EMEA)

As in other parts of the world, more people are reading *The Economist* on their tablet or phone as well as in print. Total circulation grew slightly in EMEA, driven by digital—subscriber numbers for our digital editions rose 35% across the region. We expect this trend to continue. Advertiser interest reflects this shift and advertising revenue in digital editions grew by 44% compared with the prior year.

Advertising revenues at *Intelligent Life* rose 17% globally. Outside EMEA, *Intelligent Life* ran as supplements this year within *The Economist* in Asia and America.

Our clients are keen to reach our readers through methods besides traditional advertising. Association with interesting and useful content is one route which we offer through sponsorship of our thought-leadership studies (under the Economist Intelligence Unit brand) and Economist Events. We have now developed a global database of over half a million individuals who have participated in a thought-leadership programme or attended an event and who have requested reports from us. This allows us to distribute research findings among our audience more effectively. Successful programmes this year included a study of how educational systems and achievement differ around the world, which won widespread media attention. In the events area, we are seeing particularly good progress with our conferences in Africa as business interest in the continent grows.

Last year we acquired TVC, a marketing communications agency, as part of our response to these changes in advertising clients' needs. We integrated TVC's services into a number of programmes for our clients while the business also progressed through its own momentum. TVC handled broadcast media relations for Felix Baumgartner's record high-altitude jump on behalf of its client, Red Bull, and helped generate extensive coverage on television and online. TVC was named digital consultancy of the year by a PR industry website, The Holmes Report, following the success of this, and other, projects.

EuroFinance weathered conditions well, despite some slowdown in training and delegate revenues as clients sought to reduce costs. The major annual international conference delivered record sponsorship revenue and a new service, a membership group for treasurers called the Corporate Treasury Network, now has over 1,000 members.

> ***"Our plan focuses on the opportunity to build better margins from circulation"***

During the year we merged the teams looking after our business in the UK with those covering continental Europe, the Middle East and Africa. The new structure employs fewer people and makes co-ordination across the region easier. Operating leanly and efficiently will help us as we grapple with sluggish economic conditions and a changing media landscape.

In April this year we sold *European Voice* to the parent company of a long-standing partner in France, Development institute international.

Although advertising has been affected by the drop in business confidence across the region and changing priorities among advertisers, reader interest in *The Economist* is undiminished. Our plan focuses on the opportunity to build better margins from circulation while we continue to develop the range of marketing services through which we help clients reach our valued audience.

NIGEL LUDLOW
MANAGING DIRECTOR, EMEA
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CQ ROLL CALL

CQ Roll Call continues as market leader for news and information on Congress, as well as those trying to reach Congress.

In our core business, we took an exciting step by expanding from a strictly legislative focus and moving into the regulatory space through a significant partnership with Thomson Reuters. The initial areas of coverage for this extension of our briefings series are securities, banking and energy, which will be sold through Thomson Reuters' WestlawNext platform, and we expect to expand our coverage in the coming year. Although we remain committed to retaining our market-leading position in the legislative business, we are excited about the opportunities created by expansion into this new market.

"In our core business, we took an exciting step by expanding from a strictly legislative focus and moving into the regulatory space"

In our advocacy and engagement business, we launched CQ Engage, our transformative entrant into the market. Not only does this product leapfrog our competitors in terms of ease of use and integration with social media; it also allows us to offer additional services to our customers so that they can provide more information and functionality on their websites. For instance, using CQ Engage, our customers can design websites that include newsfeeds relevant to their area of interest and they can elicit, accept and then publish video and other content from their grassroots constituents who want to share their stories. In addition, we relaunched our state product, adding extra state-regulation information and improving ease of use, as a result of which we are seeing continued growth in this market.

Although we have seen a significant decline in our advertising market, we are moving steadily away from a reliance on print advertising. Last autumn we combined our two dailies, creating a more powerful *Roll Call* publication and website, designed to expand our reach, frequency and usage. Since the relaunch, the website's average number of monthly visitors has risen by 25%. This increase is particularly impressive as political websites experienced a decrease in the post-election period. We expect print advertising to be less than 10% of our business in the coming year, down from nearly a third just three years ago.

We expect a jump in legislative activity during the coming year, as the focus shifts away from elections to lawmaking, and we plan to capitalise on this opportunity with our new products.

KEITH WHITE
MANAGING DIRECTOR AND EVP, CQ ROLL CALL
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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 Go-Ahead Group, Gold Fields, Times Newspapers and Hochschild Mining. Editor of *The Economist* from 1986 to 1993 and deputy governor of the Bank of England from 1993 to 1995.

Andrew Rashbass
Appointed Group chief executive in July 2008. Formerly publisher and managing director of *The Economist*.

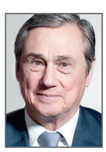
Sir David Bell
Appointed as a non-executive director in August 2005. He retired as an executive director of Pearson in May 2009 and as chairman of the Financial Times in December 2009. He is chairman of Sadler's Wells.

John Elkann
Appointed as a non-executive director in July 2009. Chairman and CEO of EXOR, chairman of Fiat, Giovanni Agnelli e C and Editrice La Stampa, and a director of Fiat Industrial, SGS and Gruppo Banca Leonardo. Also vice-chairman of the Italian Aspen Institute and the Giovanni Agnelli Foundation, and recently appointed as a non-executive director of the new News Corporation.

Rona Fairhead
Appointed as a non-executive director in July 2005. Until April 30th 2013, chairman and chief executive of the Financial Times Group and an executive director of Pearson. Non-executive director of HSBC Holdings and the Cabinet Office of the UK government.

Philip Mengel
Appointed as a non-executive director in July 1999. Operating partner of Snow Phipps Group and director of Orient Express Hotels. Previously chief executive officer of US Can Corporation, English Welsh & Scottish Railway and Ibstock.

John Micklethwait
Appointed as a director in May 2006, and editor of *The Economist* since April 2006, having joined the editorial staff in July 1987. Previously US editor. A trustee of the British Museum.



Sir Simon Robertson
Appointed as a non-executive director in July 2005. Deputy chairman and senior independent director of HSBC Holdings, non-executive director of Berry Bros & Rudd, founder of Robertson Robey Associates and a trustee of the Royal Opera Endowment Fund. Former chairman of Rolls-Royce 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 Foundation, the Peterson Institute for International Economics and the McCain Institute for International Leadership.

Chris Stibbs
Joined the company as Group finance director in July 2005, and also appointed as managing director of the Economist Intelligence Unit in April 2010. Previously a non-executive director of Motivcom and corporate development director of Incisive Media, finance director of the TBP Group and managing director of the FT Law and Tax Division.

Luke Swanson
Appointed as a non-executive director in July 2011. Director of communications at Pearson and a member of the Pearson management committee. Previously a director of South African business publisher BDFM and of Interactive Data Corporation.

TRUSTEES

Baroness Bottomley of Nettlestone PC, DL Trustee since October 2005. Heads the board practice of Odgers Berndtson. Member of the House of Commons (1984-2005). 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, pro-chancellor of the University of Surrey 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 BUPA and of Smith & Nephew.

Lord O'Donnell CB, KCB, GCB 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 three British prime ministers as Cabinet Secretary and Head of Civil Service from 2005 to 2011.

Tim Clark Trustee since December 2009. Deputy chairman of 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.

Bryan Sanderson Trustee since May 2006. Non-executive chairman of Cella Energy, chairman of the Florence Nightingale Foundation and of Home Renaissance Foundation, an emeritus governor of the London School of Economics and a director of Durham CCC.

Clayton Brendish CBE Retired as a trustee in July 2012, having served since 1999.

BOARD COMMITTEES

Audit committee

Sir Simon Robertson, chairman
Philip Mengel
Rupert Pennant-Rea
Lady Lynn Forester de Rothschild

Remuneration committee

Rupert Pennant-Rea, chairman
Sir David Bell
John Elkann

GROUP MANAGEMENT COMMITTEE (GMC)

Andrew Rashbass
Chris Stibbs
John Micklethwait

Susan Clark
Managing director, Economist Digital, and Group marketing director. Previously managing director, CEMEA. Joined the Group in July 2005 from Le Méridien Hotels & Resorts as global marketing director of *The Economist*.

Oscar Grut
Group general counsel and company secretary. Previously also managing director, Digital Editions, then managing director, Economist Digital. Joined the company in 1998 from Linklaters.

Nigel Ludlow
Managing director, EMEA. Joined the marketing team of *The Economist* in January 1984. Subsequently became global marketing director, then managing director of the Economist Intelligence Unit and later managing director, UK.

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

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

Paul Rossi
Managing director and EVP, Americas. Since joining the Group in 1987, he has held various roles, including advertising director, commercial director and publisher of *The Economist* in North America.

Keith White
Managing director and EVP, CQ Roll Call. Joined the Group in 2009 as associate director, CQ Roll Call, as part of *Roll Call*'s acquisition of *Congressional Quarterly*. Before that, he spent eight years as general manager and publisher of *CQ* in Washington, DC.

The directors present their report to shareholders, together with the audited consolidated financial statements, for the year ended March 31st 2013.

Developments and principal activities

The principal activities of the Group consist of publishing, the supply of business information, conferences, marketing services and the letting of property. Further information about the activities, developments and likely future developments of the Group are described on pages 4-12.

Results and dividends

The profit after tax for the financial year to March 31st 2013 was £48.7m (2012: £47.2m). A final dividend of 88.7p per share (2012: 83.0p) is proposed for the year to March 31st 2013. Together with the interim dividend and the special dividend already paid, this makes a total proposed dividend for the year of 168.9p (2012: 160.5p). The final dividend will be paid on July 23rd 2013 to shareholders on the register at the close of business on June 18th 2013.

Property values

The directors have been advised that the open-market value of the Economist Complex at March 31st 2013 was £70.9m; the balance-sheet value is £13.5m after deducting borrowings from finance leases. Based on this information, the directors consider that the aggregate market value of all the Group's properties exceeds their book value.

Transactions with related parties

Details of transactions with related parties, which are to be reported under FRS 8, are set out in the notes to the financial statements on page 52.

Charitable and political donations

During the financial year, the Group made donations to charities amounting to £161,279 (2012: £158,162), and also provided services in kind (free advertising, for example) worth £78,410 (2012: £435,805).

Directors

Profiles of the directors appear on page 16. 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. 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 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. There are 102 "A" special shareholders. The "B" special shares are all held by The Financial Times Limited. John Elkann, John Micklethwait, Rupert Pennant-Rea, Sir Simon Robertson, Lady Lynn Forester de Rothschild and Chris Stibbs were appointed by the "A" special shareholders. The "B" special shareholders appointed Andrew Rashbass, Sir David Bell, Rona Fairhead, Philip Mengel and Luke Swanson.

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

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 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, in June 2007 the Board decided that henceforth "A" special shareholders would be given the opportunity to vote on the renewal of the appointment of directors elected by them on each three-year anniversary of such appointments. This does not apply to the chairman.

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

Board

The Board currently comprises eight non-executive directors and three executive directors. The non-executive directors have a breadth of successful commercial and professional experience and they exercise independent judgment. Rona Fairhead was, until April 30th 2013, chairman and chief executive of the Financial Times Group and an executive director of Pearson plc. Luke Swanson is director of communications of Pearson plc. Lady Lynn Forester de Rothschild and her spouse, Sir Evelyn de Rothschild, as well as John Elkann, are each interested in a significant number of shares (see page 22). 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 22-24.

The Board is chaired by Rupert Pennant-Rea and has met for regular business six times in the 12 months to March 31st 2013. 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 Philip Mengel, 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. 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.

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 Turnbull Committee and 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 rise of digital reading, the migration of advertising spend to the internet and the commoditisation of information products, as well as competitive activity); the global shift of economic power from West to East; volatility of the surplus/deficit on the UK defined-benefit pension scheme; business continuity (including the breakdown of operational systems from external attack, the failure of key suppliers or a global disaster); the impact on our 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 or employment laws; and the financial operations of the company, specifically foreign exchange, cash management and tax. During the year, the Group has consolidated its efforts to achieve compliance with the UK Bribery Act, which came into effect on July 1st 2011. 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 but not absolute 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 pages 2 and 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 also carries out an independent risk-based programme of internal audit work in all parts of the Group. The audit manager reports to the Group finance director 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 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.

- 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 review the environmental impact of our operations, specifically carbon emissions, annually. Plans to reduce or mitigate those emissions are ongoing.

- *The Economist* and its sister publications, *Intelligent Life* 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 based 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.

Payment of suppliers

The company aims to pay all of its suppliers within a reasonable period of their invoices being received and within any contractually agreed payment period, provided that the supplier also complies with all relevant terms and conditions. Subsidiary companies are responsible for agreeing the terms on which they trade with their suppliers. Trade creditors as at March 31st 2013 for the company represented on average 26 days of purchases (2012: 33 days).

Annual general meeting

The notice convening the annual general meeting, to be held at 12.15pm on Thursday July 18th 2013 at the British Academy of Film and Television Arts, can be found on page 61.

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 3 on page 37.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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

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

By order of the Board
Oscar Grut
Secretary
June 18th 2013

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	2013		2012	
Beneficial holdings	"A" Special	Ordinary	"A" Special	Ordinary
Rupert Pennant-Rea	75,000	8,450	75,000	2,450
Andrew Rashbass	650	16,809	650	9,309
Sir David Bell	-	-	-	-
John Elkann[1]	-	1,190,000	-	1,190,000
Rona Fairhead	-	-	-	-
Philip Mengel	-	4,250	-	4,250
John Micklethwait	550	19,100	550	12,000
Sir Simon Robertson	-	4,800	-	4,800
Lady Lynn Forester de Rothschild[2]	240,440	3,841,548	240,440	3,841,548
Chris Stibbs	250	15,989	250	8,889
Luke Swanson	-	-	-	-
Holding as a trustee				
John Micklethwait[3]	-	97,500	-	97,500
Rupert Pennant-Rea[3]	-	97,500	-	97,500
Lady Lynn Forester de Rothschild[2]	-	1,305,002	-	1,305,002

[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.

Andrew Rashbass has the right to acquire 37,500 ordinary shares, and Chris Stibbs and John Micklethwait each have the right to acquire 22,500 ordinary shares, under the restricted share scheme described on the next page. All three exercised options granted under the restricted share scheme during the year.

The executive directors of the company, together with all employees, are beneficiaries of the company's employee share ownership trust. As such, the directors are treated as interested in the 154,277 ordinary shares (2012: 163,629) held by the trustee of the 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 plan

Executive directors and some other senior employees were awarded performance units under the executive long-term plan. 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 EPS hurdles and its total shareholder return compared with a selected group of companies.

(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 us 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 us 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 between two and six years after the date of the award. The Group has the discretion to pay out shares or cash on exercise.

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 both annual and long-term incentive schemes.

Table 2
Remuneration for the years ended March 31st

	Salary/fees 2013 £000	Annual bonus 2013 £000	Long-term plan[1] 2013 £000	Benefits 2013 £000	Total 2013 £000	Total 2012 Restated £000
Rupert Pennant-Rea	126	-	-	-	126	126
Sir David Bell	38	-	-	-	38	38
John Elkann	38	-	-	-	38	38
Rona Fairhead[2]	38	-	-	-	38	38
Philip Mengel	44	-	-	-	44	44
John Micklethwait	326	170	37	16	549	594
Andrew Rashbass	451	467	59	16	993	1,000
Sir Simon Robertson	44	-	-	-	44	44
Lady Lynn Forester de Rothschild	38	-	-	-	38	38
Lord Stevenson	-	-	-	-	-	12
Chris Stibbs	310	194	39	13	556	553
Luke Swanson[2]	38	-	-	-	38	22
Total	1,491	831	135	45	2,502	2,547

[1] The long-term plan bonus relates to awards made in 2010 under an incentive plan which vested over a three-year period ending March 31st 2013, and which will pay out following the end of the vesting period. The 2012 comparative has been restated because previously the long-term plan bonus represented the amount paid in the year.

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

Directors' accrued pensions

The pensions which would be paid annually on retirement at age 65 based on service with the company to March 31st 2013 are shown below. The table does not include any additional voluntary contributions or any resulting benefits.

Table 3

	Age at March 31st 2013	Accrued pension at March 31st 2013	Accrued pension at March 31st 2012	Change
John Micklethwait	50	£128,486	£125,720	£2,766
Andrew Rashbass	47	£94,663	£92,625	£2,038
Chris Stibbs	The company contributed £35,650 to the defined-contribution scheme (2012: £33,758)			

Operating result

Operating profit for the Group was £67.5m, slightly ahead of last year. Revenues decreased by 4% to £346.0m. Print advertising, which has a high margin, declined by £22.3m or 22%. This was partly offset by growing sales of digital products and the Group's ongoing diversification, including the TVC and healthcare acquisitions made since March last year. There was also one fewer issue of *The Economist* compared to the previous year, reducing newspaper circulation revenues by 2%.

Costs

Costs decreased by 5% during the year. Significant restructuring took place in EMEA and the Americas, creating one-off costs of £4.4m but saving more than that in the year. The savings will be ongoing. Across the Group 200 positions were removed (one in eight of the total). As the print business shrinks, production and distribution costs reduce. The Group spent less on marketing, partly in response to the difficult trading environment but also because it held back activity while refining its circulation strategy.

Profit before tax

Profit before tax fell by 1% to £64.0m, with net finance costs increasing by £0.9m to £3.5m. Finance income from the defined-benefit pension scheme, calculated using FRS 17 valuation principles, fell by £0.7m. Net bank and other interest costs increased by £0.2m in part because of higher levels of debt in 2012-13, associated with the three acquisitions made since March 2012.

Taxation

The effective rate of taxation for the year was 23.9% (2012: 27.0%). The underlying rate was 24.8% compared with 25.9% last year, benefiting from the 2.0% reduction in UK tax rates which was partially offset by higher US profits taxed at higher rates.

Profit after tax and earnings per share

Profit after tax increased by 3% to £48.7m, as did basic earnings per share, which rose to 194.4p.

Balance sheet

The Group's balance sheet remains strong. At March 31st 2013 assets included intangibles of £116.2m, an increase of £10.5m compared with last year, because of strategic acquisitions. The Economist Complex is reported at historic cost (£16.0m) rather than its current market value (£70.9m) and the balance sheet included cash of £38.7m. Liabilities included income received in advance from customers (£108.0m) and long-term debts of £63.0m. Shareholders' funds showed a deficit of £11.4m, larger than the £4.6m deficit reported last year because of a further increase in the net liability position of the defined-benefit pension scheme (see below).

Net debt at the year end stood at £27.9m (2012: £13.9m). The increase was a result of two further acquisitions, the progressive dividend policy and the timing of working-capital flows.

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. At March 31st 2013 this plan, valued under FRS 17 principles, had a deficit of £22.0m, net of deferred tax (2012: £10.0m). Since last year, gross liabilities have increased by £43.1m largely because of lower corporate-bond rates and, therefore, the discount rate used to value scheme liabilities. This was offset by growth of £27.7m in gross scheme assets and an additional recognised deferred tax asset of £3.4m.

Dividend

The Group continues to review the feasibility of paying special dividends each year in the light of cashflows, trading conditions and the investment needs of the business. This annual assessment led to the payment of a special dividend of £10.0m in December 2012 along with the interim dividend. The special dividend (40.0p per share), when added to the interim dividend (40.2p per share) and last year's final dividend (83.0p per share), brought the total paid in the year to 163.2p (2012: 156.0p). It represented an increase of 5% over 2012 and a yield of 6.3%. The total dividend was covered 1.2 times by basic earnings per share (2012: 1.2 times) while the ongoing dividend, excluding the special dividend, was covered 1.6 times (2012: 1.6 times).

Treasury and treasury policy

The objectives of our treasury policies remain the same. They are to identify, monitor and manage financial risks, including foreign-exchange and interest-rate exposures, and to maintain strong control of loan and cash balances. The latter includes policies to manage the insolvency risk for 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 two executive directors, provides guidance and monitors treasury activities. The treasury department acts as a cost centre rather than a profit centre.

The Group had net borrowings of £25.4m at the year end (2012: £11.4m), excluding the finance lease liability for the Economist Complex.

At the year end the Group had access to significant unused borrowing facilities at favourable rates. These total £95.1m and include revolving multi-currency credit facilities with Barclays for £40.0m and Royal Bank of Scotland (RBS) for £9.0m, to be used for acquisitions and general corporate purposes, plus unused term loan facilities dedicated to acquisitions of £25.1m with Barclays and £21.0m with RBS. The facilities incur non-utilisation fees of 0.5% and, if drawn, incur interest at LIBOR plus 1.25%. At present the Group has a term loan of £4.9m from Barclays which was used to fund its purchase of Bazian Limited.

At the year end the Group also had three unsecured US dollar-denominated loans in place totalling $90.5m (2012: $101.5m). There was $3.0m outstanding on the fixed-term loan with Barclays, taken out to finance the acquisition of Capitol Advantage in 2008. It bears interest at US LIBOR plus 3.0%, with 50% of the LIBOR element swapped out at a rate of 2.19%. There was also $2.5m outstanding on the fixed-term loan secured with RBS last year, which bears interest at a fixed rate of 3.15%. Both loans are repayable in July 2013. The majority of the borrowings relate to loan notes totalling $85.0m taken out with Pricoa to fund the CQ acquisition in 2009. These notes bear interest at between 7.72% and 7.93% and are repayable between 2015 and 2020.

Cash and deposits at March 31st 2013 totalled £38.7m (2012: £51.4m). Our policy is to deposit cash not required as working capital as soon as practicable, in AAA- and AA-rated money-market funds. These funds were earning 0.4% for sterling deposits and 0.12% for US-dollar 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, mainly through the use of forward foreign-exchange contracts and currency options and through funding US acquisitions with US dollar-denominated loans. Foreign-exchange risk is only actively managed on currencies where the net exposure exceeds the equivalent of £3m per year. At present this applies only to US dollars. The split of net cash balances between dollars, euros and sterling is kept under review. The Group does not hedge the translation of overseas profits, assets or liabilities into sterling.

Other financial assets that potentially subject the Group to credit risk consist principally of trade debtors. The concentration of credit risk associated with debtors is minimised due to distribution over many customers in different countries and in different industries.

Cashflow

The Group produced operating cashflow of £59.9m during the year, representing 89% of reported operating profit. This is less than the £70.4m and 105% reported last year, mainly associated with lower cost accruals and the timing of payments and receipts. There was a cash outflow before financing of £11.3m, reflecting normal capital expenditure, interest, tax, acquisitions and ongoing and special dividends. This was worse than last year's inflow of £4.1m because of lower operating cashflow and higher tax payments, which were reduced in earlier years by the utilisation of losses.

International Financial Reporting Standards

As a private company, the Group is currently able to decide whether to adopt International Financial Reporting Standards (IFRS). The Group has considered the potential impact of adoption and the Board is aware that there will be a mandatory change in GAAP by the year ending March 31st 2016. At present the Board does not believe that immediate adoption would be in the interests of the shareholders, especially given that new UK accounting standards were formally released in March this year and require review and assessment. The Board is committed to ensuring that adoption takes place in the required time frame.

Chris Stibbs

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ECONOMIST NEWSPAPER LIMITED

We have audited the Group and parent company financial statements (the ''financial statements'') of The Economist Newspaper Limited for the year ended March 31st 2013, which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cashflow statement, the consolidated and parent company statements of total recognised gains and losses, the consolidated reconciliation of movements in shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

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 parent 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. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at March 31st 2013 and of the Group's profit and cashflows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Philip Stokes
Senior Statutory Auditor
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
June 19th 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT

NOTE	Years ended March 31st	2013 £000	2012 £000
1	**Turnover**		
	Continuing operations	343,792	361,795
	Acquisitions	2,169	-
		345,961	**361,795**
	Cost of sales	(99,326)	(100,264)
	Gross profit	**246,635**	**261,531**
	Distribution costs	(36,622)	(38,021)
	Marketing, development and other administrative costs	(135,730)	(150,462)
10	Goodwill amortisation	(6,778)	(5,749)
1	**Operating profit**		
	Continuing operations	67,834	67,299
	Acquisitions	(329)	-
	Profit on ordinary activities before finance charges	**67,505**	**67,299**
2	Net finance costs	(3,513)	(2,638)
1,3	**Profit on ordinary activities before taxation**	**63,992**	**64,661**
6	Taxation on profit on ordinary activities	(15,306)	(17,427)
	Profit for the year	**48,686**	**47,234**
18	**Retained profit for the financial year**	**7,815**	**8,176**

Dividends proposed and unpaid at the year end were £22,216,000 (2012: £20,780,000). Dividends paid in the year were £40,871,000 (2012: £39,058,000).

NOTE		2013	2012
9	**Basic earnings per share (pence)**	**194.4**	**188.7**
9	Diluted earnings per share (pence)	193.6	188.2
7	Dividends paid per share (pence)	163.2	156.0
	Dividend cover (times)	1.2	1.2

CONSOLIDATED BALANCE SHEET AT MARCH 31ST

NOTE		2013 £000	2012 £000
	Fixed assets		
10	Intangible assets	116,242	105,723
11	Tangible assets	28,329	25,640
		144,571	**131,363**
	Current assets		
12	Stocks	2,193	1,952
13	Debtors	67,740	64,877
14	Deferred taxation	2,348	4,587
19	Cash at bank and in hand	38,705	51,413
		110,986	**122,829**
15	Creditors: amounts falling due within one year	(71,668)	(79,674)
	Unexpired subscriptions and deferred revenue	(108,001)	(108,363)
	Net current liabilities	**(68,683)**	**(65,208)**
	Total assets less current liabilities	**75,888**	**66,155**
16	Creditors: amounts falling due after more than one year	(63,030)	(58,566)
	Net assets excluding pension and other post-retirement obligations	**12,858**	**7,589**
20	Pension and other post-retirement obligations (net of deferred tax)	(24,221)	(12,162)
1	**Net liabilities**	**(11,363)**	**(4,573)**
	Capital and reserves		
17	Called-up share capital	1,260	1,260
18	Profit and loss account	(12,623)	(5,833)
	Total shareholders' deficit	**(11,363)**	**(4,573)**

The company balance sheet is shown on page 56.

The consolidated financial statements on pages 28-60 were approved by the Board of directors and authorised for issue on June 18th 2013. They were signed on its behalf by:

Rupert Pennant-Rea
Chris Stibbs
Directors

The notes on pages 35-60 form an integral part of these consolidated financial statements.

CONSOLIDATED CASHFLOW STATEMENT

NOTE	Years ended March 31st	2013 £000	2012 £000
19	**Net cash inflow from operating activities**	**59,941**	**70,441**
	Returns on investments and servicing of finance		
	Interest received	81	376
	Interest paid	(5,337)	(5,666)
	Debt issue costs	-	(833)
	Finance lease interest paid	(208)	(208)
		(5,464)	(6,331)
	Taxation		
	UK corporation tax paid	(11,643)	(6,781)
	Overseas tax paid	(1,236)	(1,717)
		(12,879)	(8,498)
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	(2,508)	(2,357)
	Acquisitions and disposals		
24	Purchase of subsidiary undertakings	(10,983)	(11,269)
24	Cash acquired with subsidiary undertakings	1,415	925
	Cash received from sale of business	-	213
		(9,568)	(10,131)
	Equity dividends paid to shareholders		
7	Amounts paid	(40,871)	(39,058)
	Net cash (outflow)/inflow before use of liquid resources and financing	**(11,349)**	**4,066**
	Management of liquid resources		
19	Cash drawn from short-term deposits	7,555	6,994
	Financing		
	Capital element of finance lease payments	(2)	(2)
	Sale/(purchase) of own shares	232	(2)
	Drawdown of unsecured loan facility	39,900	22,000
	Repayment of unsecured loan facility	(41,920)	(28,806)
19	**(Decrease)/increase in net cash**	**(5,584)**	**4,250**

	Reconciliation of net cashflow to movement in net debt		
	(Decrease)/increase in cash in the year	**(5,584)**	4,250
	Cash inflow from decrease in liquid resources	(7,555)	(6,994)
	Cash outflow from decrease in lease financing	2	2
	Cash outflow from debt financing	2,020	6,806
	Change in net debt resulting from cashflows	**(11,117)**	**4,064**
	Other non-cash changes	(81)	(81)
	Exchange translation differences	(2,726)	(130)
	Movement in net debt in the year	(13,924)	3,853
	Net debt brought forward at April 1st	(13,948)	(17,801)
19	**Net debt carried forward at March 31st**	**(27,872)**	**(13,948)**

Cash and deposits at March 31st 2013 amounted to £38,705,000 (2012: £51,413,000).

The notes on pages 35-60 form an integral part of these consolidated financial statements.

OTHER STATEMENTS

Statement of total recognised gains and losses
Years ended March 31st

NOTE		2013 £000	2012 £000
	Profit for the financial year	48,686	47,234
	Exchange translation differences arising on consolidation	920	162
20	Actual return less expected return on pension scheme assets	12,986	(2,789)
20	Experience (loss)/gain arising on the pension scheme liabilities	(538)	999
20	Changes in assumptions underlying the present value of pension scheme liabilities	(32,631)	(30,684)
	Actuarial (loss)/gain on other post-retirement benefits	(281)	271
	UK tax attributable to the actuarial loss	4,707	7,730
	Total recognised gains for the year	**33,849**	**22,923**

Reconciliation of movements in total shareholders' deficit
Years ended March 31st

		2013 £000	2012 £000
	Profit for the year	48,686	47,234
	Dividend paid	(40,871)	(39,058)
	Retained profit	7,815	8,176
18	Other recognised losses	(15,757)	(24,473)
18	Net sale/(purchase) of own shares	232	(2)
18	Exchange translation differences arising on consolidation	920	162
	Net deduction from shareholders' funds	**(6,790)**	**(16,137)**
	Opening shareholders' (deficit)/funds	(4,573)	11,564
	Closing shareholders' deficit	**(11,363)**	**(4,573)**

Note of historical cost profits and losses

As the financial statements are based on the historical cost convention, no separate statement of historical cost profits and losses is necessary. There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

A summary of the more important Group accounting policies is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

Basis of consolidation

The consolidated financial statements include the financial statements of the company (The Economist Newspaper Limited) and its subsidiary undertakings (the Group/The Economist Group) made up to March 31st. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes.

A subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values, reflecting their condition at that date. Any changes in fair value to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are charged to the post-acquisition profit and loss account. Acquisitions are accounted for using the acquisition method.

Where the Group or company owns a non-controlling interest, held for the long term, in the equity share capital of another company, and is in a position to exercise significant influence over that company, the interest is equity-accounted and the company treated as an associated undertaking. Otherwise, the interest is accounted for as either a fixed or current asset investment.

Turnover

Turnover represents sales to third parties from circulation, subscriptions, advertising, sponsorship, research, marketing services, delegate fees and rental income net of advertising agency commissions and trade discounts, and excluding intra-Group sales, value-added tax and other sales-related taxes.

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 revenues, whether from print circulation, digital or online, are recognised in the profit and loss account 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.

On certain contracts for the sale of digital editions of *The Economist*, where a third-party company acts as a principal, revenue recognised by the Group represents the royalty or commission received from this third-party company. Where the Group acts as principal, subscription or circulation revenue is recognised gross of commission costs. Where a contractual arrangement consists of two or more separate elements that can be provided to customers either on a stand-alone basis or as an optional extra, turnover is recognised for each element as if it were an individual contractual arrangement.

Research revenues are generally derived from sales of economic, industry and management research products to clients. These revenues are 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.

Foreign currencies

Balance sheets of subsidiary undertakings have been translated into sterling at the rates of exchange ruling at the balance-sheet date. Exchange differences arising from the retranslation of the opening net investments to closing rates are recorded as movements on reserves. Exchange differences arising on the retranslation of borrowings taken out to finance overseas investments are taken to reserves, together with any tax-related effects. All other exchange differences are included in the profit and loss account. Profit and loss accounts and cashflows of subsidiary undertakings are translated into sterling at the average rate for the year.

The Group enters into forward currency and option contracts to hedge currency exposures. Losses or realised gains arising from the closing of contracts are included within the trading results for the year. Other gains or losses on open contracts are deferred.

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 these awards is measured and updated using an appropriate option pricing model. 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 8. 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.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised as an intangible asset and written off over its useful economic life. Goodwill arising on the acquisition of a foreign entity which has been funded by external borrowings is treated as an asset of the foreign entity and translated at the closing rate. Prior to April 1st 1998, purchased goodwill arising on consolidation was written off to reserves in the year in which it arose, in accordance with the accounting standards then in force. From April 1st 1998, the provisions of FRS 10 "Goodwill and intangible assets" have been adopted, and such goodwill for new acquisitions is now required to be shown as an asset on the balance sheet and amortised over its useful economic life. Goodwill arising on acquisitions before April 1st 1998 has been deducted from reserves and is charged to the profit and loss account on disposal or closure of the business to which it relates.

Goodwill is provided and written off on a straight-line basis over the acquisition's useful economic life, which is generally estimated to be 20 years.

Where there has been an indication of impairment of goodwill, it is the Group's policy to review its carrying value. In the case of goodwill previously written off directly against reserves, the impaired amounts are written back from reserves and then written off against the profit and loss for the year.

Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Cost includes all direct expenditure. Deferred conference and research costs represent costs incurred for conferences planned to be held or research projects delivered after the balance-sheet date.

Leased assets

Where the Group has entered into finance leases, the obligations to the lessor are shown as part of the borrowings and the corresponding assets are treated as fixed assets. Leases are regarded as finance leases where their terms transfer to the lessee substantially all the benefits and burdens of ownership other than the right to retain legal title. Depreciation is calculated in order to write off the amounts capitalised over the estimated useful lives of the assets by equal annual instalments. Rentals payable under finance leases are apportioned between capital and interest, the interest portion being charged to the profit and loss account and the capital portions reducing the obligations to the lessor.

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Operating lease incentives received are initially deferred and subsequently recognised over the minimum contract period as a reduction of the rental expense. Rental income is recognised on a straight-line basis over the lease term.

Provision is made for onerous lease rentals payable on empty properties and where letting receipts are anticipated to be less than cost. Provision is made for the period that the directors consider that the property will remain unlet or unutilised, or to the extent that there is a shortfall in net rental income. The time value of money in respect of onerous lease provisions has been recognised by discounting the future payments to net present values.

Investments

Investments held as fixed assets are included at cost, less provisions for diminution in value.

Share schemes

Shares held by the employee share ownership plan (ESOP) are shown at cost and recorded as a deduction in arriving at shareholders' funds. The fair market value of shares granted to employees is charged to the profit and loss account over the period to which the employee's performance relates.

Trade debtors

Trade debtors are stated at their carrying value less provision for bad and doubtful debts and anticipated future sales returns.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered), using the tax rates and laws that have been enacted or substantively enacted by the balance-sheet date.

Deferred taxation

Deferred taxation is provided, using the liability method, at the expected applicable rates, on all timing differences between accounting and taxation treatments which are expected to reverse in the foreseeable future.

No provision is made for any additional taxation which would arise on the remittance of profits retained, where there is no intention to remit such profits. A deferred tax asset is only recognised to the extent that it is more likely than not that there will be taxable profits from which the future reversal of the timing differences can be deducted.

Unexpired subscriptions and deferred revenue

Unexpired subscriptions represent the amount of subscription monies received in advance of supplying the publication or service, and which therefore remain a liability to the subscriber. Deferred revenue represents all other payments received in advance of services being provided, primarily conference fees, custom research and rental income.

Pension and other post-retirement benefits

Contributions to pensions under defined-contribution schemes are recognised as an employee benefit expense in the profit and loss as and when they are due.

For the defined-benefit and post-retirement medical schemes, pension scheme assets are measured using fair values and the liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term to the liability. The pension scheme deficit is recognised in full, net of deferred tax, and presented on the face of the balance sheet. The movement in the scheme deficit is split between operating and financial items in the profit and loss account and the statement of total recognised gains and losses. The full service cost of the pension provision is charged to operating profit. The net impact of the unwinding of the discount rate on scheme liabilities and the expected return of the scheme assets is charged to other finance costs. Any difference between the expected return on assets and that actually achieved is charged through the statement of total recognised gains and losses. Similarly, any differences that arise from experience or assumption changes are charged through the statement of total recognised gains and losses.

Finance costs

Finance costs which are directly attributable to the cost of construction of a tangible fixed asset are capitalised as part of the costs of that tangible fixed asset.

Website development costs

Design and content costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred.

Segmental information

The results of Washington-based CQ Roll Call have been included in the Americas regional business segment as disclosure of the turnover and operating profits of these businesses would, in the directors' view, be seriously prejudicial to the commercial interests of the Group.

Prior year comparatives for operating profit by business have been reclassified to conform with current year presentation following the integration of the UK and CEMEA businesses into an EMEA division.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of leasehold assets includes directly attributable finance costs. Depreciation is provided to write off cost over the asset's useful economic life as follows:

Asset type	Depreciation method	Depreciation rate per year
Long and short leasehold property	Straight-line basis	Duration of lease
Fixtures and fittings	Straight-line basis	7-14%
Plant and machinery	Straight-line basis	10-33%
Equipment	Straight-line basis	14-50%
Motor vehicles	Straight-line basis	25%
Major software systems	Straight-line basis	20-33%
Assets under construction	No depreciation	0%

NOTE 1 Segment information

Analysis by business	Turnover 2013 £000	Turnover 2012 Restated £000	Operating profit 2013 £000	Operating profit 2012 Restated £000
EMEA	116,195	120,035	26,062	26,967
Americas and CQ Roll Call	149,369	164,408	23,159	27,601
Asia	33,993	33,930	5,331	2,441
The Economist Intelligence Unit	42,915	39,942	9,989	8,269
Other businesses	3,489	3,480	2,964	2,021
	345,961	361,795	67,505	67,299

Revenue reported above represents revenue generated from external customers, and inter-segment revenue has been eliminated. Other businesses include Ryder Street Properties (which owns and manages the Economist Complex in London) and the education business.

The segmental analysis above includes the following in respect of acquisitions made during the year:

Analysis by business	Turnover 2013 £000	Turnover 2012 £000	Operating profit 2013 £000	Operating profit 2012 £000
The Economist Intelligence Unit	2,169	-	(329)	-

Analysis by origin of legal entity	Turnover 2013 £000	Turnover 2012 £000	Profit/(loss) before tax 2013 £000	Profit/(loss) before tax 2012 £000	Net (liabilities)/assets 2013 £000	Net (liabilities)/assets 2012 £000
United Kingdom	212,028	226,571	43,850	51,390	(52,687)	(52,878)
Europe	4,967	5,831	1,017	(343)	(22,109)	(386)
North America	119,273	122,578	18,054	14,035	54,788	46,555
Asia	9,693	6,815	1,071	(421)	8,645	2,136
	345,961	361,795	63,992	64,661	(11,363)	(4,573)

The analysis by origin of legal entity above includes the following for acquisitions made during the year:

Analysis by origin of legal entity	Turnover 2013 £000	Turnover 2012 £000	Profit/(loss) before tax 2013 £000	Profit/(loss) before tax 2012 £000	Net assets 2013 £000	Net assets 2012 £000
United Kingdom	603	-	68	-	6,727	-
Asia	1,566	-	(397)	-	7,018	-
	2,169	-	(329)	-	13,745	-

NOTE 1 Segment information (continued)

Turnover by customer location	2013 £000	2012 £000
United Kingdom	57,871	58,011
North America	166,062	178,723
Europe	60,999	67,072
Asia	45,289	42,176
Other	15,740	15,813
	345,961	361,795

The turnover by customer location above includes the following for acquisitions made during the year:

Turnover by customer location	2013 £000	2012 £000
United Kingdom	603	-
Asia	1,566	-
	2,169	-

NOTE 2 Net finance costs

	2013 £000	2012 £000
Interest receivable	81	378
Interest payable and similar charges	(5,856)	(5,937)
Other finance income	2,262	2,921
	(3,513)	(2,638)
Interest payable on bank overdrafts and loans	(1,210)	(1,456)
Amortisation of issue costs of bank loan	(81)	(81)
Interest payable on other loans	(4,357)	(4,192)
Interest payable on finance lease	(208)	(208)
Interest payable and similar charges	(5,856)	(5,937)
Net return on pension scheme and other post-retirement liabilities	2,262	2,921
Other finance income	2,262	2,921

NOTE 3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following:	2013 £000	2012 £000
Auditor's remuneration		
Audit of the company's annual accounts	130	125
Fees payable to the company's auditor and its associates for other services		
Audit of the company's subsidiaries	296	260
Further assurance services	21	77
Tax advice and compliance	143	245
Operating lease rentals		
Plant and equipment	223	236
Land and buildings	8,289	7,734
Depreciation and amortisation		
On owned assets	3,321	2,937
On assets held by finance lease	55	55
Amortisation of goodwill	6,778	5,749

The Group also incurred fees of £128,000 (2012: £131,000) in relation to due diligence services paid to its auditor, which have been capitalised as part of the acquisition.

NOTE 4 Directors' emoluments

The details of directors' emoluments are in table 2, page 24, within the directors' report on remuneration.

NOTE 5 Employees

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

	2013		2012	
	Average	Year-end	Average	Year-end
EMEA	398	380	381	419
Americas and CQ Roll Call	566	527	612	624
Asia	156	152	148	159
The Economist Intelligence Unit	269	283	266	258
Other businesses	4	1	7	8
	1,393	1,343	1,414	1,468

	2013	2012
Employment costs including executive directors' emoluments	£000	£000
Wages and salaries	99,268	102,401
Social security costs	8,482	9,187
Defined-benefit pension costs	3,390	3,077
Other pension costs	3,444	3,454
	114,584	118,119

Wages and salaries include £4,447,000 (2012: £2,073,000) of restructuring-related costs.

NOTE 6 Taxation on profit on ordinary activities

The taxation charge based on the result for the year is made up as follows:	2013 £000	2012 £000
UK corporation tax at 24% (2012: 26%)	10,220	13,090
Overseas taxation	3,865	3,170
UK deferred taxation	820	129
Overseas deferred taxation	965	359
	15,870	16,748
Adjustments in respect of previous years		
UK corporation tax	(744)	(1,640)
Overseas taxation	(479)	762
UK deferred taxation	444	906
Overseas deferred taxation	215	651
	15,306	17,427

Included within the deferred tax charge for the year is an FRS 17 charge of £120,000. The tax assessed for the year is lower (2012: higher) than the standard rate of corporation tax in the UK of 24% (2012: 26%).

Current tax rate reconciliation	2013 %	2012 %
UK tax rate	24.0	26.0
Expenses not deductible for tax purposes	(0.6)	(0.5)
Depreciation in excess of capital allowances	0.1	0.5
Movement in provisions	(1.0)	3.0
Overseas tax rates	1.9	0.9
Timing of goodwill amortisation	0.6	0.4
Overseas tax losses	(0.9)	(1.6)
FRS 17 pension movement	-	(2.0)
Impact of Group financing	(3.0)	(3.2)
Other	0.8	1.7
Adjustments to tax charge in respect of previous years	(1.9)	(1.4)
Current tax rate reflected in earnings	20.0	23.8

Future tax charges will be affected by tax-rate and other legislative changes in the jurisdictions in which the Group operates. Changes to the geographical distribution of taxable profits and exchange rates will also affect future tax charges due to the differences in tax rates applicable in different countries.

NOTE 7 Dividends

Cash dividends paid	2013 £000	2012 £000
Final dividend for previous year of 83.0p per share (2012: 78.5p per share)	20,780	19,654
Interim dividend paid of 40.2p per share (2012: 37.5p per share)	10,070	9,389
Special dividend paid of 40.0p per share (2012: 40.0p per share)	10,021	10,015
	40,871	39,058

All shareholders other than holders of the trust shares (see note 17) receive the above dividend per share. Dividends amounting to £255,000 (2012: £254,000) in respect of the company's shares held by the ESOP (note 18) have been deducted in arriving at the aggregate of dividends paid.

Dividends proposed in respect of the year	2013 £000	2012 £000
Interim dividend paid of 40.2p per share (2012: 37.5p per share)	10,070	9,389
Special dividend paid of 40.0p per share (2012: 40.0p per share)	10,021	10,015
Final dividend proposed of 88.7p per share (2012: 83.0p per share)	22,216	20,780
	42,307	40,184

The directors are proposing a final dividend in respect of the financial year ending March 31st 2013 of 88.7p. Dividends amounting to £137,000 in respect of the company's shares held by the ESOP have been deducted in arriving at the total dividend proposed of £42,307,000. The proposed final dividend is subject to approval by shareholders and has not been recognised as a liability in these financial statements.

NOTE 8 Share-based payments

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

Current plans

Executive long-term plan

Units are granted to executive directors and senior employees. These awards are taken in cash form only after three years. 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.

Restricted share scheme

This scheme is for key employees who have been awarded a right to acquire ordinary shares at a nominal price between two and six years after the date of the award. The Group has the discretion to pay out shares or cash on exercise.

The Group has recorded total liabilities at March 31st 2013 of £3,543,000 (2012: £5,024,000), of which £692,000 (2012: £1,145,000) relates to awards which had vested at the year end. The total expense recognised with respect to cash-settled, share-based payment transactions was £524,000 (2012: £2,661,000).

NOTE 8 Share-based payments (continued)

The fair values of the long-term schemes were calculated 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:

	At March 31st 2013	At March 31st 2012
Weighted average share price (£)	26.31	25.30
Weighted average exercise price (£)	24.76	23.19
Expected volatility (%)	33	34
Expected life (months)	18	18
Risk-free rate (%)	0.2	0.4
Expected dividend yield (%)	4.4	4.3
Forfeiture rate (%)	5.0	5.0

The expected volatility is 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.

During the year, 389,000 long-term plan units (2012: 388,000) were granted with a weighted average fair value at March 31st of £5.86 (2012: £7.84). 209,000 long-term plan units (2012: 214,000) vested at March 31st, with a weighted average fair value at March 31st of £2.60 (2012: £4.78).

Special dividends are either included in the fair value calculation or reinvested as further units.

	At March 31st 2013		At March 31st 2012	
Restricted share scheme	No. of options	Weighted average share price (£)	No. of options	Weighted average share price (£)
Outstanding at the beginning of the year	60,000	27.14	55,000	25.14
Granted during the year	66,500	25.00	5,000	24.50
Exercised during the year	(27,500)	(27.45)	-	-
Outstanding at the end of the year	99,000	28.12	60,000	27.14
Exercisable at the year end	2,500	28.71	15,000	27.40

The weighted average remaining contractual life for outstanding options at March 31st 2013 was 21 months (2012: 16 months).

NOTE 9 Earnings per share

Basic earnings per share are calculated on earnings of £48,686,000 (2012: £47,234,000) and the 25,200,000 ordinary and special shares in issue (2012: 25,200,000) less those held by the ESOP, being on average 154,000 shares (2012: 163,000), resulting in a weighted average number of shares of 25,046,000 (2012: 25,037,000).

	2013			2012		
	Earnings £000	Weighted average number of shares 000s	Earnings per share pence	Earnings £000	Weighted average number of shares 000s	Earnings per share pence
Basic earnings per share	48,686	25,046	194.4	47,234	25,037	188.7

Diluted earnings per share are calculated by adjusting the weighted average number of shares to take account of shares held by the ESOP which are under option to employees.

	2013	2012
Weighted average number of shares (000s)	25,046	25,037
Effect of dilutive share options (000s)	99	60
Weighted average number of shares (000s) for diluted earnings	25,145	25,097

NOTE 10 Intangible fixed assets

	Goodwill £000
Cost	
At April 1st 2012	125,214
Additions (note 24)	12,499
Exchange translation differences	5,608
At March 31st 2013	143,321
Accumulated amortisation	
At April 1st 2012	19,491
Charge for the year	6,778
Exchange translation differences	810
At March 31st 2013	27,079
Net book value at March 31st 2013	116,242
Net book value at March 31st 2012	105,723

The goodwill arising on the acquisition of Clearstate Pte and Bazian Limited is being amortised on a straight-line basis over 20 years.

NOTE 11 Tangible fixed assets

Group	Leasehold buildings Long £000	Short £000	Plant and machinery £000	Equipment £000	Total £000
Cost					
At April 1st 2012	35,229	4,010	2,795	29,675	71,709
Additions	-	2,963	-	2,869	5,832
Acquisitions	-	40	-	127	167
Disposals	-	(2,061)	(14)	(1,651)	(3,726)
Exchange translation differences	265	109	-	438	812
At March 31st 2013	35,494	5,061	2,781	31,458	74,794
Accumulated depreciation					
At April 1st 2012	15,256	3,524	2,795	24,494	46,069
Provided during year	277	304	-	2,795	3,376
Acquisitions	-	21	-	106	127
Disposals	-	(2,060)	(14)	(1,531)	(3,605)
Exchange translation differences	75	95	-	328	498
At March 31st 2013	15,608	1,884	2,781	26,192	46,465
Net book value at March 31st 2013	19,886	3,177	-	5,266	28,329
Net book value at March 31st 2012	19,973	486	-	5,181	25,640

The directors have been advised that the market value of the Economist Complex at March 31st 2013 was £70,900,000 (2012: £69,350,000); the book value is £16,037,000 (2012: £16,313,000) and the balance-sheet value is £13,521,000 (2012: £13,795,000) after deducting the finance lease payable. Included within the cost of leasehold buildings is capitalised interest of £2,312,500 (2012: £2,312,500).

Assets held under finance lease and capitalised in long leasehold buildings were:

	2013 £000	2012 £000
Cost or valuation	6,798	6,798
Aggregate depreciation	(1,464)	(1,409)
Net book value	5,334	5,389

NOTE 12 Stocks

	2013 £000	2012 £000
Raw materials	1,282	1,259
Work-in-progress	852	637
Finished goods	59	56
	2,193	1,952

NOTE 13 Debtors

Due within one year	2013 £000	2012 £000
Trade debtors	49,226	47,541
Other debtors	4,674	4,456
Prepayments and accrued income	13,840	11,647
Tax recoverable	-	1,233
	67,740	64,877

Other debtors includes loan notes amounting to £2,572,000 (2012: £2,447,000) 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 14 Deferred taxation

Summary of movements in deferred tax asset	£000
At April 1st 2012	4,587
Charge to the profit and loss account	(2,324)
Credited to other recognised gains for the year	57
Exchange difference	28
At March 31st 2013	2,348

The effect of the change in tax rates is to reduce the deferred tax asset by £81,000 (2012: £254,000).

The assets recognised for deferred taxation under the liability method are:

	2013 £000	2012 £000
Excess of depreciation over capital allowances	616	418
Loss relief	437	1,160
Other timing differences	1,295	3,009
	2,348	4,587

The Group has accumulated trading losses of £7,412,000 (2012: £7,082,000) in Asia. The Group has recognised Hong Kong trading losses to the value of the losses expected to be used in the next three years.

A deferred tax asset of £365,000 (2012: £945,000) has been recognised for carried-forward losses in the United States and Asia on the basis that forecast profits in those regions against which the tax asset can be recovered will arise. A deferred tax asset of £72,000 (2012: £215,000) has been recognised in respect of US state income tax losses carried forward.

NOTE 14 Deferred taxation (continued)

Changes to the UK corporation tax rate were announced in the March 2012 Budget, including a reduction to the UK main corporation tax rate from 26% to 24% which became effective on April 1st 2012 and was substantively enacted on March 26th 2012. A further reduction to 23% is effective from April 1st 2013 and was substantively enacted on July 3rd 2012. The March 2013 Budget announced further changes which are expected to be enacted separately each year, and proposes to reduce the UK corporation tax rate to 21% effective from April 1st 2014 with a reduction to 20% by April 1st 2015. The relevant deferred tax balances have been remeasured to 23%, the rate enacted by the balance-sheet date.

NOTE 15 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Bank loans and overdrafts (note 16)	3,546	6,794
Trade creditors	11,015	13,948
Other creditors including taxation and social security	27,158	24,051
Accruals	29,949	34,881
	71,668	79,674
Other creditors including taxation and social security comprise:		
Corporation tax	9,193	11,527
Other tax and social security payable	1,870	2,744
Other creditors	16,095	9,780
	27,158	24,051

NOTE 16 Creditors: amounts falling due after more than one year

	2013 £000	2012 £000
Finance leases	2,515	2,517
7.93% unsecured loan note 2019-20	16,357	15,498
7.72% unsecured loan note 2019-20	39,258	37,195
Term loan	4,900	-
Unsecured bank loans	-	3,356
	63,030	58,566

Maturity of debt

In one year or less, or on demand	3,546	6,794
In more than one year, but not more than two years	9,995	3,356
In more than two years, but not more than five years	31,946	26,319
In more than five years	18,574	26,374
	64,061	62,843

The Group has bank loans and loan notes of £64,061,000 as at March 31st 2013 (2012: £62,843,000). In January 2012, the Group entered into a new revolving credit facility of £49m and a £51m term loan facility. Both of these facilities are unsecured and have a five-year term. The revolving credit facility expires after five years. The term loan facility expires after five years unless it is not utilised during the first two years, in which case it expires. If it is utilised, it is repayable between three and five years from the date the facility was established. At March 31st 2013, £4,900,000 had been drawn down from the term loan facility while the revolving credit facility was undrawn. The Group also has UK overdraft facilities which are subject to review in January 2017.

NOTE 16 Creditors: amounts falling due after more than one year (continued)

The unsecured bank loans were taken out to finance the acquisition of Capitol Advantage LLC and are denominated in US dollars and bear interest based on US-dollar LIBOR plus 3.0% and a fixed rate of 3.15%. The Group has entered into a swap arrangement to fix LIBOR at 2.19% for 50% of the interest payable on one of its unsecured loans. The US dollar-denominated loans were revalued at the closing exchange rate and resulted in an unrealised loss of £234,000 (2012: £13,750).

The company entered into a ten-year committed loan note arrangement in August 2009 to fund the acquisition of Congressional Quarterly. The loan notes are repayable annually in equal instalments from the fifth to the tenth year after inception. The unsecured loan notes were drawn down in two tranches and are stated net of unamortised issue costs of £514,000 (2012: £595,000). These costs, together with the interest expense, are all allocated to the profit and loss account over the ten-year term of the facility at a constant carrying amount. The US dollar-denominated loan notes were valued at the closing exchange rate and resulted in an unrealised loss of £2,924,000 (2012: £170,000).

	2013	2012
Maturity of finance leases	£000	£000
Future minimum payments under finance leases were as follows:		
Within one year	1	1
In more than one year, but not more than two years	2	2
In more than two years, but not more than five years	3	3
After five years	2,510	2,512
	2,516	2,518

The finance lease on the Economist Complex is repayable in quarterly instalments until 2111, at an interest rate of 4.3%.

NOTE 17 Equity share capital

	Authorised		Issued and fully paid	
At March 31st 2013 and 2012	Number	£000	Number	£000
"A" special shares of 5p each	1,575,000	79	1,260,000	63
"B" special shares of 5p each	1,575,000	79	1,260,000	63
Ordinary shares of 5p each	36,850,000	1,842	22,680,000	1,134
Trust shares of 5p each	100	-	100	-
		2,000		1,260

FRS 4, "Capital Instruments", requires the Group to provide a summary of the rights of each class of shares. This summary can be found in the directors' report on page 18. The trust shares participate in a distribution of capital only to a limited extent and accordingly are not treated as equity share capital.

NOTE 18 Reserves

Consolidated profit and loss account	2013 £000	2012 £000
At April 1st	(5,833)	10,304
Retained profit for the year	7,815	8,176
Other recognised losses relating to the year	(15,757)	(24,473)
Net sale/(purchase) of own shares	232	(2)
Exchange translation differences arising on consolidation	920	162
At March 31st	(12,623)	(5,833)

The cumulative goodwill written off to profit and loss reserves by the Group is £17,943,000 (2012: £17,943,000) and arises mainly from the purchase of Business International in 1986, CFO 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.

At March 31st 2013, there were 154,277 shares (2012: 163,629) of 5p each with a nominal value of £7,714 (2012: £8,181) in The Economist Newspaper Limited (own shares) held by the ESOP. 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 2013, 99,000 (2012: 60,000) of the shares are under option to employees and have been conditionally granted to them. The interest in own shares, included within reserves, is as follows:

	£000
At April 1st 2012	1,535
Net sale of own shares	(232)
At March 31st 2013	1,303

NOTE 19 Notes to the consolidated cashflow statement

Reconciliation of operating profit to net cash inflow from operating activities	2013 £000	2012 £000
Operating profit	67,505	67,299
Depreciation of tangible fixed assets	3,376	2,992
Goodwill amortisation	6,778	5,749
Loss on sale of tangible fixed assets	121	-
Increase in stocks	(193)	(122)
Increase in debtors	(1,135)	(2,497)
(Decrease)/increase in creditors	(9,601)	2,537
Decrease in unexpired subscriptions and deferred revenue	(4,513)	(2,955)
Decrease in provisions	(2,397)	(2,562)
Net cash inflow from operating activities	59,941	70,441

NOTE 19 Notes to the consolidated cashflow statement (continued)

Analysis of net debt	At April 1st 2012 £000	Cashflow £000	Debt £000	Acquisitions £000	Other non-cash changes £000	Exchange movement £000	At March 31st 2013 £000
Cash in hand	23,383	(6,999)	-	1,415	-	196	17,995
Cash placed on short-term deposits	28,030	(7,555)	-	-	-	235	20,710
Total cash balances	51,413	(14,554)	-	1,415	-	431	38,705
Debt due within one year	(6,794)	-	6,920	-	(3,438)	(234)	(3,546)
Debt due after one year	(56,049)	-	(4,900)	-	3,357	(2,923)	(60,515)
Finance leases due within one year	(1)	2	-	-	(2)	-	(1)
Finance leases due after one year	(2,517)	-	-	-	2	-	(2,515)
Net funds	(13,948)	(14,552)	2,020	1,415	(81)	(2,726)	(27,872)

At March 31st 2013 cash balances included £2,746,000 (2012: £2,925,000) of deposits collected from tenants of the Group's property business. This cash is only accessible in the event of the tenant defaulting.

NOTE 20 Pension and other post-retirement obligations

Analysis of pension and other post-retirement obligations (net of deferred tax)	2013 £000	2012 £000
UK Group scheme	(22,034)	(10,037)
Post-retirement benefits	(2,187)	(2,125)
	(24,221)	(12,162)

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. 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 addition, the Group provides unfunded, unapproved pension arrangements in respect of certain current and former employees. 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 UK Group scheme has been closed to new members since January 1st 2003; a defined-contribution scheme is now available to new joiners. As a result, under the projected unit credit method, the current service cost is expected to increase as members approach retirement. The company contributed 18.3% of pensionable salaries to fund ongoing service costs during the year and £350,000 to fund scheme expenses. The company also contributed £2,920,000 (2012: £1,920,000) in the year to repay the actuarial deficit which included a £1,000,000 lump-sum payment. The best estimate of contributions expected to be paid to the scheme in 2013-14 is £5,100,000.

The most recent full actuarial valuation of the UK defined-benefit scheme was at January 1st 2010. This showed the market value of assets of the main UK scheme to be £172,602,000. The actuarial valuation of pension liabilities was £180,750,000, leaving a deficit of £8,148,000. The actuarial method used for the valuation was the projected unit credit 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 95%. The January 2010 valuation was used as a basis for determining the ongoing company funding rate, effective September 19th 2010. A valuation as at January 1st 2013 is in progress.

NOTE 20 Pension and other post-retirement obligations (continued)

The FRS 17 valuation reflects HM Revenue and Customs (HMRC) rules relating to commutation of tax-free cash effective April 6th 2006. Past scheme experience indicates that the majority of retirees take the maximum level of cash available. Cash commutation factors, which are regularly reviewed by the trustees, were updated during the year to a factor of 16:1 at age 60 (2012: 15:1).

The main overseas schemes and one UK scheme are based on defined contributions; amounts totalling £128,000 (2012: £325,000) were accrued in respect of these schemes at year end.

UK Group scheme

The valuation of the UK Group scheme has been updated by independent actuaries to March 31st 2013. The major assumptions used to determine this valuation are as follows:

	2013 %	2012 %	2011 %
Inflation	3.4	3.5	3.5
Increase in pensionable salaries	3.4	3.5	3.5
Increase in pensions in payment	3.3	3.3	3.3
Increase in deferred pensions	2.8	2.9	3.0
Discount rate for scheme liabilities	4.4	5.1	5.9

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 SAPS1 light tables with longevity projection based on CMI 2011 and the year in which the member was born, with a 1% per-year underpin to future improvements (2012: PCA00 tables, medium cohort, year of birth).

	2013 years	2012 years
Longevity at age 65 for current retirees		
- Men	88.8	87.5
- Women	90.0	89.9
Longevity at age 65 for future retirees, current age 45		
- Men	90.1	89.4
- Women	91.5	91.8

The assets of the UK Group scheme and the expected rate of return on these assets, shown as a weighted average, are as follows:

	Long-term rate of return expected at March 31st 2013 %	Value at March 31st 2013 £000	Long-term rate of return expected at March 31st 2012 %	Value at March 31st 2012 £000	Long-term rate of return expected at March 31st 2011 %	Value at March 31st 2011 £000
Equities	7.35	139,667	8.00	116,937	7.95	123,505
Government and corporate bonds	3.33	70,712	3.93	67,270	4.96	54,490
Property	6.85	26,222	7.00	25,294	7.95	18,682
Other	2.47	2,467	2.90	1,886	3.80	2,166
Total market value of assets		239,068		211,387		198,843
Present value of scheme liabilities		(267,684)		(224,593)		(184,705)
(Deficit)/surplus in the scheme		(28,616)		(13,206)		14,138
Related deferred tax asset/(liability)		6,582		3,169		(3,676)
Net pension (deficit)/surplus		(22,034)		(10,037)		10,462

NOTE 20 Pension and other post-retirement obligations (continued)

Reconciliation of fair value of scheme assets	2013 £000	2012 £000
April 1st	211,387	198,843
Expected return on scheme assets	13,849	14,125
Actuarial gain/(loss)	12,986	(2,789)
Employee contributions	645	738
Disbursements	(5,509)	(4,583)
Contributions paid by employer	5,710	5,053
March 31st	239,068	211,387

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed-interest investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £26,835,000 (2012: £11,336,000).

Reconciliation of present value of scheme liabilities	2013 £000	2012 £000
April 1st	(224,593)	(184,705)
Current service cost	(3,390)	(3,077)
Employee contributions	(645)	(738)
Interest cost	(11,396)	(10,972)
Disbursements	5,509	4,583
Actuarial loss	(33,169)	(29,684)
March 31st	(267,684)	(224,593)

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%	8.7%
Pensionable salaries	0.5%	1.6%
Pensions in payment	0.5%	6.8%
Revaluation rate of deferred pensions	0.5%	2.1%
Discount rate	0.5%	9.4%

If the average expected age of death of pensioners lengthened by one year, the liabilities of the scheme would increase by 2.8% (2012: 2.5%).

Analysis of the amount charged to operating profit	2013 £000	2012 £000
Current service cost	3,390	3,077

The total amount charged to operating profit is included within administrative expenses.

Analysis of the amount credited to other finance income	2013 £000	2012 £000
Expected return on pension scheme assets	13,849	14,125
Interest on pension scheme liabilities	(11,396)	(10,972)
Net income	2,453	3,153

NOTE 20 Pension and other post-retirement obligations (continued)

History of experience gains and losses

Difference between the actual and expected return on scheme assets	2013	2012	2011	2010	2009
Amount (£000)	12,986	(2,789)	2,621	34,139	(38,867)
Percentage of scheme assets	5%	(1%)	1%	19%	(29%)
Experience (losses)/gains on scheme liabilities					
Amount (£000)	(538)	999	58	7,866	1,430
Percentage of the present value of the scheme liabilities	0%	0%	0%	4%	1%
Total actuarial (loss)/gain recognised in the statement of total recognised gains and losses					
Amount (£000)	(20,183)	(32,474)	6,164	2,289	(20,053)
Percentage of the present value of the scheme liabilities	(8%)	(14%)	3%	1%	(14%)

Since the adoption of FRS 17 in 2006 a cumulative net loss before taxation of £51,454,000 has been charged through the statement of total recognised gains and losses in respect of actuarial revaluations of the pension scheme.

Other post-retirement benefits

The Group provides post-retirement medical benefits to certain former employees. At March 31st 2013, 51 retired and former employees (2012: 55) were eligible to receive benefits. As at March 31st 2013 the Group estimated the present value of its accumulated post-retirement medical benefits obligation to be £2,187,000 (2012: £2,125,000), net of deferred taxation. These liabilities were confirmed by a qualified independent actuary. The principal assumptions used in estimating this obligation are healthcare premium cost escalation of 5.4% per year and a discount rate to represent the time value of money of 4.40% (2012: 5.05%). Actual premiums paid are being set against this provision, which is periodically assessed for adequacy.

NOTE 21 Financial commitments

Operating leases **Land and buildings, leases expiring**	2013 £000	2012 £000
Within one year	782	2,116
Between two and five years	1,887	855
After five years	5,559	4,166
	8,228	7,137

Plant and equipment, leases expiring		
Within one year	62	57
Between two and five years	63	100
	125	157

NOTE 22 Capital commitments and contingent liabilities

At March 31st 2013, there was no capital expenditure contracted for but not provided in the financial statements (2012: £nil). There are contingent Group liabilities in respect of legal claims, indemnities, warranties and guarantees in relation to former businesses. None of these claims is expected to result in a material loss to the Group.

NOTE 23 Related party transactions

The Financial Times Limited holds 50% of the issued share capital in the company and is entitled to appoint six out of a total of 13 places for directors on the company's Board. The Financial Times Limited is a wholly-owned subsidiary of Pearson plc. The Group sold goods and services to Pearson plc and subsidiary companies to a total value of £73,646 (2012: £366,019) in the normal course of trade during the year, and acquired goods and services to a total value of £242,700 (2012: £64,848), excluding directors' fees described on page 24. The aggregate balances outstanding with these companies as at March 31st 2013 were £7,655 (2012: £nil) due to the Group and £69,611 (2012: £6,516) due from the Group.

NOTE 24 Acquisitions

During the year the Group made the following acquisitions:

Acquisition of Clearstate (Pte) Limited (Clearstate)

On April 2nd 2012 the Group acquired 100% of the ordinary share capital of Clearstate, a Singapore-based market intelligence company specialising in customised strategic advisory and primary research solutions in the healthcare and life-sciences sectors, for an initial consideration of Singapore $10,000,000 (£4,976,000). Clearstate has been accounted for as an acquisition. The following table sets out the book values for the identifiable assets and liabilities acquired and their fair value to the Group.

	Book value £000	Fair value adjustments £000	2013 Provisional fair value £000
Tangible fixed assets	22	8	30
Debtors	543	11	554
Cash at bank and in hand	85	(6)	79
Total assets	650	13	663
Creditors			
Creditors: amounts falling due within one year	(24)	(131)	(155)
Deferred revenue	(13)	(129)	(142)
Net assets acquired	613	(247)	366
Goodwill			6,552
Consideration			6,918

Consideration satisfied by:	
Cash consideration	4,976
Deferred consideration	1,742
Related costs of acquisition	200
	6,918
Net cash outflow in respect of the acquisition comprised:	
Cash consideration and acquisition costs	5,176
Cash at bank and in hand acquired	(79)
	5,097

All the provisional fair values included above are based on management's best estimate at the date of preparation of the financial statements. Clearstate contributed an inflow of £5,000 to the Group's net operating cashflows, paid £nil in respect of interest, £nil in respect of tax and used £7,000 capital expenditure. In its last financial year to December 31st 2011, the audited financial statements of Clearstate showed a profit after tax of S$428,000. For the period since the date of the acquisition, Clearstate has generated £1,566,000 revenue, £1,169,000 costs and an operating loss of £397,000, after £335,000 goodwill amortisation. Goodwill is reviewed where there is an indication of impairment. Given the projected performance of Clearstate, no impairment is required.

NOTE 24 Acquisitions (continued)

Acquisition of Bazian Limited

On November 22nd 2012 the Group acquired 100% of the ordinary share capital of Bazian Limited (Bazian), a London-based healthcare business, for an initial consideration of £4,900,000. Bazian collects and supplies clinical evidence on treatment and health technologies to allow decision-makers to assess clinical effectiveness and value for money. Bazian has been accounted for as an acquisition. The following table sets out the book values for the identifiable assets and liabilities acquired and their fair value to the Group.

			2013
	Book value	Fair value adjustments	Provisional fair value
	£000	£000	£000
Tangible fixed assets	9	-	9
Debtors	248	-	248
Cash at bank and in hand	1,336	-	1,336
Total assets	1,593	-	1,593
Creditors			
Creditors: amounts falling due within one year	(685)	(63)	(748)
Deferred revenue	(114)	-	(114)
Net assets acquired	794	(63)	731
Goodwill			5,947
Consideration			6,678
Consideration satisfied by:			
Cash consideration			4,900
Working capital adjustment			735
Deferred consideration			777
Related costs of acquisition			266
			6,678
Net cash outflow in respect of the acquisition comprised:			
Cash consideration and acquisition costs			5,166
Cash at bank and in hand acquired			(1,336)
			3,830

All the provisional fair values included above are based on management's best estimate at the date of preparation of the financial statements. Bazian contributed an outflow of £257,000 to the Group's net operating cashflows, paid £nil in respect of interest, £99,000 in respect of tax and used £2,000 capital expenditure. In its last financial year to March 31st 2012, the unaudited financial statements of Bazian showed a profit after tax of £399,000. For the period since the date of the acquisition, Bazian has generated £603,000 revenue, £535,000 costs and an operating profit of £68,000, after £99,000 goodwill amortisation. Goodwill is reviewed where there is an indication of impairment. Given the performance of Bazian since its acquisition, no impairment is required.

NOTE 24 Acquisitions (continued)

Prior year acquisition of Illumen

In November 2011 the Group acquired the trade and assets of Illumen for a cash consideration of US$1,150,000. The following table sets out the book values for the identifiable assets and liabilities acquired and their fair value to the Group.

	2012 £000
Debtors	23
Total assets	23
Creditors	
Creditors: amounts falling due within one year	(31)
Deferred revenue	(209)
Net liabilities acquired	(217)
Goodwill	1,031
Consideration	814
Consideration satisfied by:	
Cash consideration	721
Costs associated with the acquisition	93
	814
Net cash outflow in respect of the acquisition comprised:	
Cash consideration and acquisition costs	814

Goodwill is reviewed where there is an indication of impairment. Given the performance of Illumen since its acquisition, no impairment is required.

NOTE 24 Acquisitions (continued)

Prior year acquisition of TVC Group Limited

In March 2012 the Group acquired 100% interest in the ordinary share capital of TVC Group Limited (TVC) and its subsidiaries for an initial cash consideration of £7,124,000 plus repayment of bank and other loans of £3,215,000. The following table sets out the book values for the identifiable assets and liabilities acquired and their provisional fair value to the Group.

	2012 £000
Tangible fixed assets	93
Debtors	1,381
Deferred taxation	120
Cash at bank and in hand	925
Total assets	2,519
Creditors	
Creditors: amounts falling due within one year	(1,590)
Loans payable	(3,215)
Deferred revenue	(410)
Net liabilities acquired	(2,696)
Goodwill	11,274
Consideration	8,578
Consideration satisfied by:	
Cash consideration	7,124
Working capital adjustment	378
Deferred consideration	661
Related costs of acquisition	415
	8,578
Net cash outflow in respect of the acquisition comprised:	
Cash consideration and acquisition costs	10,455
Cash at bank and in hand acquired	(925)
	9,530

Goodwill is reviewed where there is an indication of impairment. Given the performance of TVC since its acquisition, no impairment is required.

NOTE 25 Derivative financial instruments

The Group enters into forward exchange contracts and foreign-currency option contracts to mitigate US-dollar currency exposures. The Group does not recognise the fair value of these derivative instruments on the balance sheet. During the year, the Group entered into 13 (2012: 13) forward exchange contracts and 13 (2012: 13) option contracts. The fair value of forward contracts outstanding at the year end is a liability of £833,000 (2012: £232,800 asset) and of the option contracts a liability of £416,000 (2012: £185,000 asset). The Group has also taken out an interest swap to hedge the LIBOR component of interest payable on the US-dollar loan taken out to finance the acquisition of Capitol Advantage LLC. The fair value of the interest rate swap arrangement at March 31st was a liability of £13,000 (2012: £77,000).

NOTE 26 Events after balance-sheet date

On April 22nd 2013 the Group sold the trade and assets of European Voice, which covers the latest EU news and analysis through its weekly newspaper, website and events business.

Company balance sheet at March 31st

NOTE		2013 £000	2012 £000
	Fixed assets		
27	Tangible assets	5,732	2,127
27	Investments	292,146	181,364
		297,878	**183,491**
	Current assets		
27	Stocks	622	654
27	Debtors: due after one year	182,400	173,378
27	Debtors: due within one year	56,498	38,908
27	Deferred taxation	1,781	2,273
	Cash at bank and in hand	16,832	24,662
		258,133	**239,875**
27	Creditors: amounts falling due within one year	(188,273)	(92,987)
	Unexpired subscriptions and deferred revenue	(25,166)	(25,886)
	Net current assets	**44,694**	**121,002**
	Total assets less current liabilities	**342,572**	**304,493**
27	Provisions for liabilities and charges	(1,493)	(1,497)
27	Creditors: amounts falling due after more than one year	(265,833)	(250,699)
	Net assets	**75,246**	**52,297**
	Capital and reserves		
17	Called-up share capital	1,260	1,260
27	Profit and loss account	73,986	51,037
	Equity shareholders' funds	**75,246**	**52,297**

The financial statements were approved by the Board of directors and authorised for issue on June 18th 2013. They were signed on its behalf by:

Rupert Pennant-Rea
Chris Stibbs
Directors

Company statement of total recognised gains and losses

Years ended March 31st

	2013 £000	2012 £000
Profit for the financial year	63,987	41,491
Exchange translation differences arising on foreign currency net investment hedge	(233)	13
Actuarial (loss)/gain on other post-retirement benefits	(228)	114
UK deferred tax attributable to the actuarial loss/(gain)	62	(27)
Total recognised gains for the year	**63,588**	**41,591**

NOTE 27 Notes to company balance sheet

Tangible fixed assets	Leasehold buildings: short	Plant and machinery	Equipment	Total
Cost	£000	£000	£000	£000
At April 1st 2012	2,069	990	20,242	23,301
Additions	2,948	-	1,882	4,830
Disposals	(2,061)	(14)	(1,651)	(3,726)
At March 31st 2013	2,956	976	20,473	24,405
Accumulated depreciation				
At April 1st 2012	1,865	990	18,319	21,174
Provided during year	234	-	869	1,103
Disposals	(2,060)	(14)	(1,530)	(3,604)
At March 31st 2013	39	976	17,658	18,673
Net book value at March 31st 2013	2,917	-	2,815	5,732
Net book value at March 31st 2012	204	-	1,923	2,127

Fixed assets: investments	Shares in Group companies
Cost and net book value	£000
At April 1st 2012	181,364
Additions	105,993
Exchange translation differences	4,789
At March 31st 2013	292,146

On October 12th 2012 the company capitalised intra-Group debt of £5,366,000 advanced to The Economist Group Singapore Pte Limited to fund the acquisition of Clearstate (Pte) Limited by way of a new share issue by the company.

On November 22nd 2012 the company acquired 100% of the ordinary share capital of Bazian Limited (Bazian), a London-based healthcare business, for £6,678,000, comprising the initial consideration and costs of acquisition.

On March 19th 2013 the company acquired the entire share capital of The Economist Group (Luxembourg) Limited for £93,949,000 at book value from The Economist Group Limited and The Economist Group BV in exchange for intra-Group debt.

The directors believe that the carrying value of the investments is supported by their underlying net assets.
The principal wholly owned subsidiary undertakings of the company which are consolidated are:

The Economist Intelligence Unit, NA, Inc (USA)
The Economist Intelligence Unit Limited*
The Economist Group (Investments) Limited
The Economist Newspaper, NA, Inc (USA)
TEG New Jersey LLC (USA)
Ryder Street Properties Limited
TEG India Private Limited (India)
The Economist Group Trustee Company Limited*
The Economist Group (Luxembourg) Limited (Guernsey)*
CQ-Roll Call, Inc (USA)
Capitol Advantage LLC
Bazian Limited
The Economist Group (Asia/Pacific) Limited (Hong Kong)
The Economist Group (US Holdings) Limited
The Economist Newspaper Group, Inc (USA)
The Economist Group Singapore Pte Limited (Singapore)*
The Economist Group France S.a.r.l (France)*
The Economist Group (Switzerland) SA (Switzerland)*
Clearstate (Pte.) Limited (Singapore)
EuroFinance Conferences Limited*
TEG Massachusetts Corporation (USA)
TVC Group Limited*
The Television Consultancy Limited
The Economist (Shanghai) Management Consulting Company Limited (China)

NOTE 27 Notes to company balance sheet (continued)

These companies are engaged in publishing, marketing and related services and in the provision of business information except for Ryder Street Properties Limited, which rents and lets property. The Economist Group (US Holdings) Limited, The Economist Group (Luxembourg) Limited and The Economist Group (Investments) Limited act as investment companies for the Group. The Economist Group Trustee Company Limited is the trustee of the ESOP. All the companies above are incorporated and registered in England and Wales with the exception of those indicated. The companies marked * are directly owned by The Economist Newspaper Limited; all other companies are owned through wholly owned subsidiaries. The Economist (Shanghai) Management Consulting Company Limited has a financial year ending December 31st. All other subsidiaries have a financial year ending March 31st.

	2013	2012
Stocks	£000	£000
Raw materials	575	603
Finished goods	47	51
	622	654

Debtors	2013	2012
Due after one year	£000	£000
Amounts owed by Group companies	182,400	173,378

Debtors owed by Group companies includes an amount of £163,372,000 which bears interest of 5.9% per year.

	2013	2012
Due within one year	£000	£000
Trade debtors	19,871	19,696
Amounts owed by Group companies	31,280	13,859
Other debtors	836	401
Prepayments and accrued income	4,511	4,952
	56,498	38,908

Summary of movements in deferred tax asset	£000
At April 1st 2012	2,273
Adjustments to tax charge in respect of previous year	(381)
Charge to the profit and loss account	(56)
Credited to other recognised gains for the year	56
Effect of changes in tax rates	(111)
At March 31st 2013	1,781

	2013	2012
Assets recognised for deferred taxation under the liability method are:	£000	£000
Excess of depreciation over capital allowances	348	388
Post-retirement benefits	355	281
Other timing differences	1,078	1,604
	1,781	2,273

NOTE 27 Notes to company balance sheet (continued)

Creditors: amounts falling due within one year	2013 £000	2012 £000
Bank loans and overdraft	3,546	6,794
Trade creditors	5,046	7,216
Amounts owed to Group companies	152,598	49,896
Other creditors including taxation and social security	10,022	8,159
Accruals	17,061	20,922
	188,273	92,987
Other creditors including taxation and social security comprise:		
Corporation tax	1,286	4,459
Other tax and social security payable	1,437	1,381
Other creditors	7,299	2,319
	10,022	8,159

Creditors: amounts falling due after one year	2013 £000	2012 £000
7.93% unsecured loan note 2019-20	16,357	15,498
7.72% unsecured loan note 2019-20	39,258	37,195
Term loan	4,900	-
Unsecured bank loan	-	3,356
Amounts owed to Group companies	205,318	194,650
	265,833	250,699

The amounts owed to Group companies are non-interest bearing.

Maturity of unsecured bank loans and overdrafts		
In one year or less, or on demand	3,546	6,794
In more than one year, but not more than two years	9,995	3,356
In more than two years, but not more than five years	31,946	26,319
In more than five years	18,574	26,374
	64,061	62,843

In January 2012, the Group entered into a new revolving credit facility of £49m and a £51m term loan facility. Both of these facilities are unsecured and have a five-year term. The revolving credit facility expires after five years. The term loan facility expires after five years unless it is not utilised during the first two years, in which case it expires. If it is utilised, it is repayable between three and five years from the date the facility was established. At March 31st 2013, £4,900,000 had been drawn down from the term loan facility while the revolving credit facility was undrawn. The Group also has overdraft facilities which are subject to review in January 2017.

The unsecured bank loans were taken out to finance the acquisition of Capitol Advantage LLC and are denominated in US dollars and bear interest based on US-dollar LIBOR plus 3.0% and a fixed rate of 3.15%. The Group has entered into a swap arrangement to fix LIBOR at 2.19% for 50% of the interest payable on one of its unsecured loans. The US dollar-denominated loans were revalued at the closing exchange rate and resulted in an unrealised loss of £234,000 (2012: gain of £13,750).

The company entered into a ten-year committed loan note arrangement in August 2009 to fund the acquisition of Congressional Quarterly. The loan notes are repayable annually in equal instalments from the fifth to the tenth year after inception. The unsecured loan notes were drawn down in two tranches and are stated net of unamortised issue costs of £514,000 (2012: £595,000). These costs, together with the interest expense, are all allocated to the profit and loss account over the ten-year term of the facility at a constant carrying amount. The US dollar-denominated loan notes were valued at the closing exchange rate and resulted in an unrealised loss of £2,924,000 (2012: £170,000).

NOTE 27 Notes to company balance sheet (continued)

Provisions for liabilities	Provisions for post-retirement benefits £000
At April 1st 2012	1,497
Charge to the profit and loss account	120
Charge to the statement of recognised gains and losses	27
Utilised in year	(151)
At March 31st 2013	1,493

Pensions

The company has adopted FRS 17. Although The Economist Group Pension Plan is a combination of defined-benefit and contribution schemes, the company will account for the Plan as if it were a defined-contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities of the Plan.

Reserves: profit and loss account	2013 £000	2012 £000
At April 1st	51,037	48,506
Retained profit for the year	23,116	2,433
Net sale/(purchase) of own shares	232	(2)
Other recognised (losses)/gains relating to the year	(399)	100
At March 31st	73,986	51,037

The directors have taken advantage of the exemption under section 408 of the Companies Act 2006 and have not presented a profit and loss account for the company alone. The company's profit after tax for the financial year amounted to £63,987,000 (2012: £41,491,000).

Share-based payments

The company has recorded total liabilities at March 31st of £2,374,000 (2012: £2,844,000). Refer to Note 8 for further details of the share-based incentive schemes.

Financial commitments Operating leases	2013 £000	2012 £000
Land and buildings, leases expiring		
Within one year	444	1,565
Between two and five years	111	415
After five years	1,202	8
	1,757	1,988
Plant and equipment, leases expiring		
Within one year	8	43
Between two and five years	103	28
	111	71

At March 31st 2013, there was no capital expenditure contracted for but not provided in the financial statements (2012: £nil). The company has guaranteed certain bank overdrafts and property leases of its subsidiaries and the bank overdraft of the Group's employee share ownership plan trustee company. The annual cost of property leases guaranteed by the company is currently £707,000 (2012: £670,000) per 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 Thursday July 18th 2013 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 2013.
2. To declare a final dividend of 88.7 pence per share in respect of the year ended March 31st 2013 to all "A" Special, "B" Special and ordinary shareholders on the company's register of members at the close of business on June 18th 2013.
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.

By order of the Board
Oscar Grut
Secretary

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

June 24th 2013

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.

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