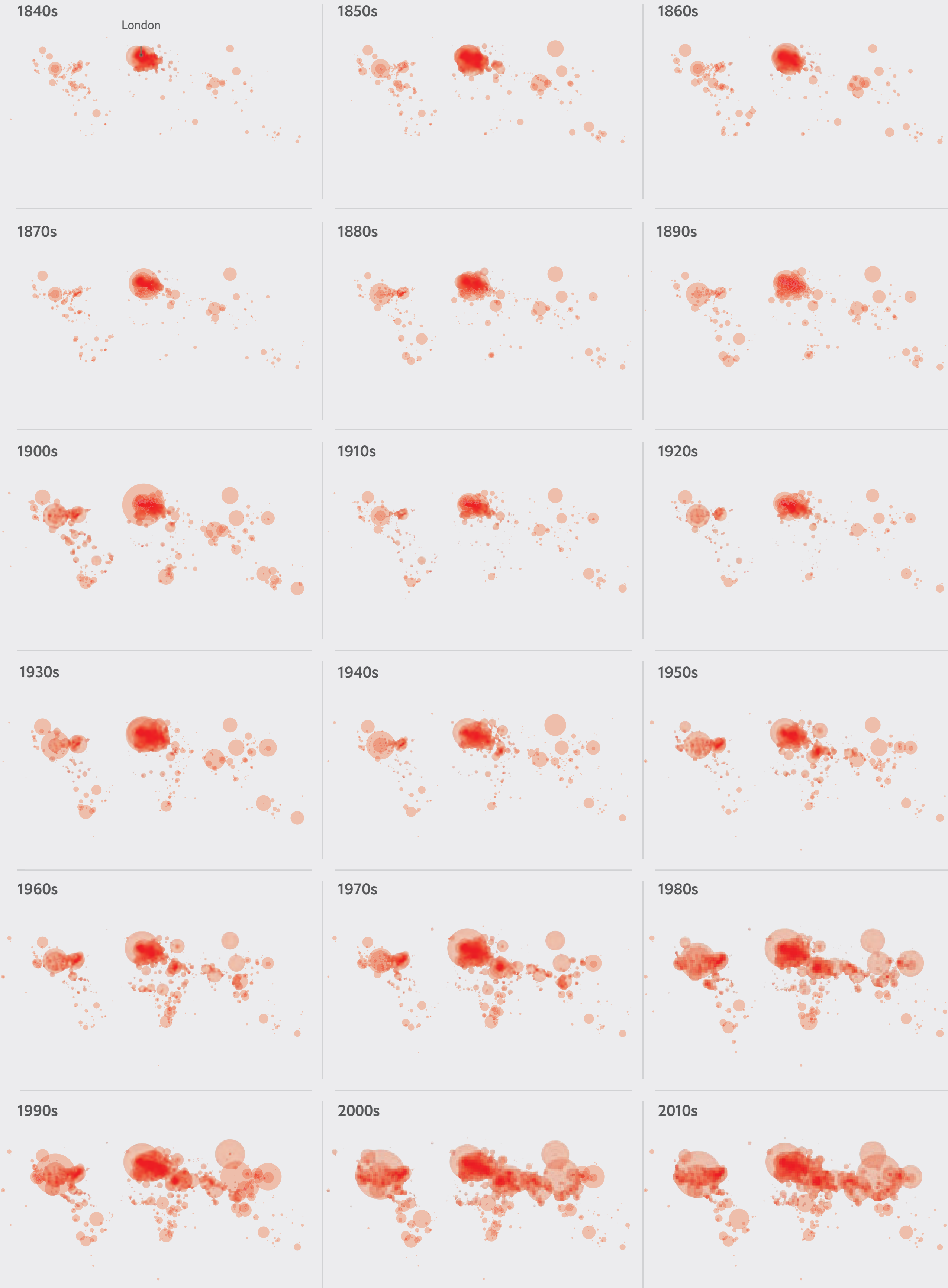
The Economist Group

Annual report 2018

Places mentioned in *The Economist*



The bubbles are sized to the number of mentions of city and country names in *The Economist*'s archives from 1843-2018, and chart the newspaper's growing global reach throughout its history.

CONTENTS

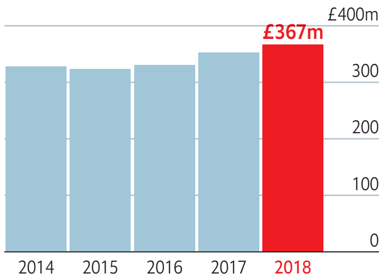
Five-year summary

	IFRS				UK GAAP
	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Income statement—continuing business					
Revenue	367	353	331	324	328
Operating profit	47	54	61	59	55
Profit after tax	35	41	43	42	41
Profit on sale of the Economist Complex	-	-	110	-	-
Balance sheet					
Non-current assets	167	174	146	156	133
Net borrowings	(116)	(105)	(97)	(17)	(15)
Deferred income	(114)	(125)	(105)	(110)	(100)
Other assets and liabilities (net)	(28)	(42)	(21)	(53)	(23)
Net liabilities	(91)	(98)	(77)	(24)	(5)
Ratios					
Operating profit to revenue	12.8%	15.3%	18.3%	18.3%	16.8%
Basic earnings per share	176.8p	207.3p	634.3p	181.2p	175.8p
Basic earnings per share (continuing businesses)	176.8p	192.5p	182.5p	168.1p	161.1p
Normalised earnings per share (excluding non-operating exceptional items)	176.8p	192.5p	198.3p	181.2p	174.6p
Dividends and share price					
Total dividend per share paid in the year	181.1p	193.2p	152.8p	163.5p	163.4p
Final and interim dividend proposed per share	165.1p	183.4p	183.4p	144.9p	137.0p
Special dividend per share	-	-	-	23.8p	31.7p
Total dividend proposed per share	165.1p	183.4p	183.4p	168.7p	168.7p
Times covered (excluding non-operating exceptional items)	1.1	1.1	1.1	1.1	1.0
Indicative share value	£28.50	£31.00	£33.00	£29.00	£27.00
Dividend yield	5.8%	5.9%	5.6%	5.8%	6.2%

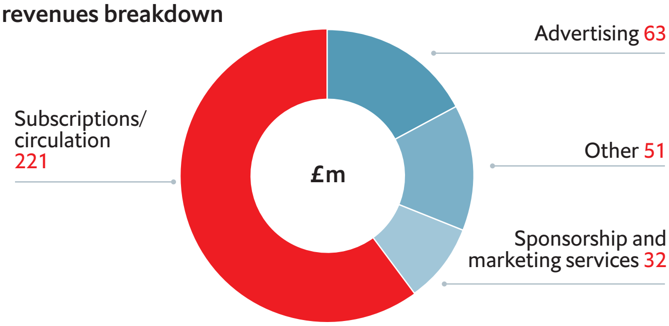
Historic information for the year 2014 has not been restated to IFRS. The IFRS conversion process involved restatement of the opening balance sheets at March 2014 and 2015 and the income statement for 2015.

Group overview

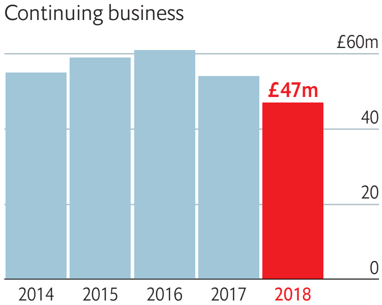
Group revenues*
Continuing business



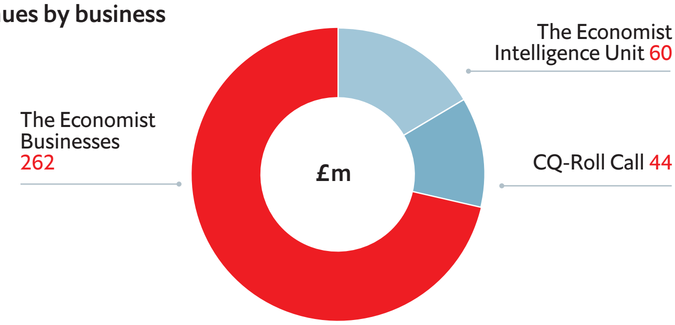
Group revenues breakdown
2018



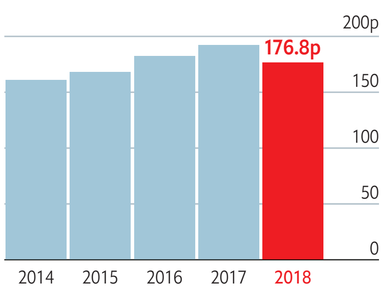
Group operating profit*
Continuing business



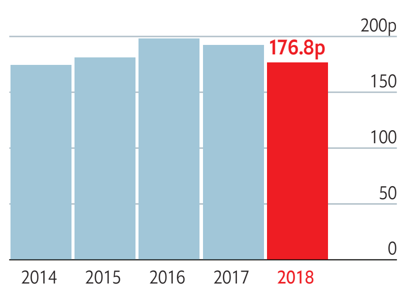
Revenues by business
2018



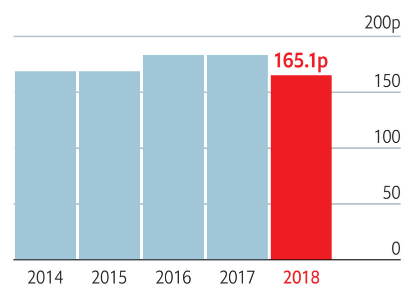
Basic earnings per share*



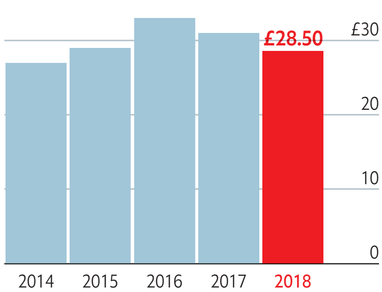
Normalised earnings per share*



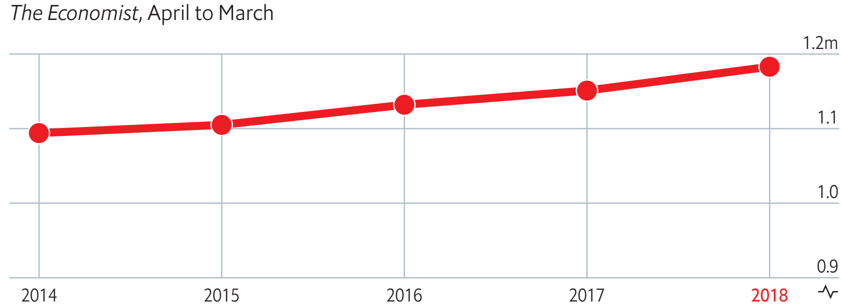
Proposed dividend per share



Indicative share value



Global paid circulation**
The Economist, April to March



A description of the Group's principal risks, uncertainties and guiding principles can be found under the headings of Internal control and The Economist Group's guiding principles in the Directors' report on pages 20 to 22.

*2014: UK GAAP measures; 2015-18: IFRS measures. **Including newsstand.

From the chairman

As is often the case, the past year was one of swings and roundabouts. Revenues increased by 4% to an all-time high, but costs rose even more. The result was a 2% decline in profit before exceptional items.

It is worth looking at those higher costs in more detail. There was another big increase in marketing for *The Economist*, which rose to £50m (compared with £37m in the previous year). We also took on more staff, mainly to strengthen our digital capacity, and spent almost £2m more on property, including the cost of "double running" the editorial offices in the Adelphi and the Tower. In other words, some of the extra spending was unavoidable but one-off, and the rest was essential if we are to continue to boost circulation revenue from full-price subscribers.

Higher circulation was the goal the Board set three years ago. To judge by last year's results, we are heading in the right direction, though there is still a long way to go. The marketing push drove the number of new subscribers up by 18%, but as some existing subscribers also leave each year, it is the net increase that really matters. This was 36,000 last year, to a total of just over 1.1m full-price subscribers. In financial terms, the paper showed the full benefits of the price rise in 2016, with revenue per copy up 10% on the previous year. The cost of acquiring new subscribers also rose, by an average of 22%; for the circulation strategy to succeed in the long term, this cost must be tightly controlled.

In other parts of the Group, the results were mixed. On the face of it, the Economist Intelligence Unit (EIU) had a disappointing year. Both revenue and profit fell, with the EIU's consultancy arm struggling to win new research contracts and the healthcare division marking time. However, the EIU's country-report core was solid, and has managed to boost its renewal rate among subscribers to 94% (compared with 90% in the previous year), which is feeding through into the current year's results. The pipeline for the rest of the EIU is also more promising than it was a year earlier.

As for CQ-Roll Call, its revenue and profits were both down on the previous year. The Trump presidency may have provided rich material for journalistic pens, but it has produced much less legislation for Congress to debate and for others to try to influence.

Given the trading environment and a further large increase in spending on newspaper marketing, profits this year are likely to fall. Against this background, and in view of the Group's net debt position at the year-end of £116m, the Board has had several long looks at what final dividend to propose to shareholders. And since the growing investment might be holding profits back for several years to come, the Board will be reviewing its dividend policy to ensure it matches this new arithmetic. As always, of course, everything will depend on the performance of the Group as a whole. For now, the Board's view is that the total dividend declared in respect of the past financial year should come down by 10%, producing a final dividend of 104p per share.

Turning to Board matters, in May we all heard the sad news of Tessa Jowell's death; we had her as a director for barely two years, and we miss her. During the past year Simon Robertson and Lynn Forester de Rothschild stood down, and were replaced by Philip Mallinckrodt and Eli Goldstein: many thanks to the leavers, welcome to the joiners. I will also be leaving the Board after the AGM, and Paul Deighton will become your new chairman. He will be excellent, I'm sure, and I wish him and the company every success.

As usual, my last words are also the most important: a big thank you to all the staff.

RUPERT PENNANT-REA

From the chief executive

The year just ended was a record year for revenues, which at £367m were 4% higher than in the previous year. Encouragingly, this was led by a strong performance from The Economist Businesses, even if results from the Economist Intelligence Unit (EIU) and CQ-Roll Call fell short of expectations. Profits before exceptional items at £49.5m were 2% lower, a very credible performance considering we invested an additional £12.6m in marketing expenditure behind the circulation and brand of *The Economist* as part of a long-term investment plan.

The highlight of the year was the performance of the circulation business. Having embarked upon the most ambitious investment plan in our history, all key investment measures in the year were met; most notably, circulation revenue increased by 14% and we acquired 18% more new subscribers than in the previous year. Importantly, this gives us the confidence to continue to invest in the engine room of the company, even if it means our profit growth will be constrained for at least another couple of years.

We also saw a very encouraging performance from our Economist media activities. Print advertising declined by a mere 2% after a number of years of more drastic declines in the high teens. We believe the context and environment in which adverts appear remain important. Some of the controversies that befell certain high-profile digital-advertising platforms reminded some marketers that they should think carefully about where and how they allow their valuable brands to be exposed. This plays to our strengths.

Our two most prestigious marquee events, EuroFinance's flagship event for corporate treasurers in Barcelona and the World Ocean Summit in Mexico, were a big success. We look forward to taking these events to Geneva and Abu Dhabi this year.

The B2B information units fared less well. While the EIU's core subscription business remained robust, the uninterrupted growth we have seen from its consulting business for a number of years came to an abrupt halt as EIU Healthcare in particular failed to grow for the first time since we launched it in 2012. The consumer-demand consulting business made some progress, but our public-policy activities also came in below expectations. We have reorganised the way we operate these businesses, and have seen an increase in sales performance towards the end of the year. We expect to see a return to growth in the coming year.

As a response to the competitive environment in which CQ-Roll Call operates, we invested to upgrade its products and services. However, competitive activity in the legislative tracking and advocacy markets intensified as relative newcomers—many of which are technology-based—only added to the offerings of the established players. The quiet legislative agenda also had a dampening effect on advertising.

Shortly after the year-end, we reorganised the operational structure of The Economist Businesses. We have brought the circulation, media, digital and data teams together to form a global business designed to maximise the benefit we get from the investment we are making in The Economist brand. This creates the platform for the next phase in our journey to become the most successful publication in the world, bar none. Michael Brunt, previously the head of the circulation business, is now the chief operating officer and publisher at the head of a talented and wonderfully diverse team.

The time has come to say goodbye to Rupert as chairman. In the past nine years he has overseen the Group through some of the most difficult times in the history of the publishing industry. Furthermore, he helped secure the independence of *The Economist* in 2015 through the most significant shareholder event since 1928. He has been a wonderful chairman to work with and we will miss him.

CHRIS STIBBS

From the editor

IN EDITORIAL the big event of 2017 was our move from the Tower to the Adelphi building. We bade a fond farewell to our home of more than half a century, and never looked back.

In the wider world, it was a year of contrasts. Much of the political news was grim. An erratic, Twitter-fuelled Trump administration upended decades-long norms of American leadership at home and abroad, even as Xi Jinping's China became more authoritarian and assertive. The year was punctuated by nuclear tension in the Koreas, sabre-rattling on trade and growing fears for the future of the liberal world order. Yet the economic news was remarkably strong, as the world economy accelerated at its fastest pace since 2010.

Our coverage helped readers make sense of these divergent forces. From foreign policy to regulation, we tried to assess Donald Trump's policies and not just the maelstrom around the man. Our cover on Trumponomics, and the transcript of our interview with the president, attracted wide attention. We put Mr Xi on the cover almost as often as Mr Trump, analysing China's "sharp power", assessing the battle for digital supremacy and asking whether the West had got China wrong. Our tech writers warned early of a backlash against digital behemoths in a series of striking covers, from "data as the new oil" to a "memo to the tech giants". Our economics writers tackled thorny issues, from how to help declining regions to the case for inheritance tax.

Our journalism now extends far beyond the weekly newspaper, and this year marked a step-change in how we organise that. With everyone on one floor in the Adelphi, video producers in Economist Films now sit close to print journalists, and developers find themselves next to data researchers. As a result our digital products have become a more integral part of the paper's metabolism: fact-checked by our researchers and subjected to the hive-mind of editorial-meeting scrutiny. The result: a more uniform, higher quality. *1843* has brought Economist intelligence to lifestyle and culture, for example with a powerful feature on why educated Chinese women find it hard to find a husband. *The World In* had a strong year, including a film series that was watched 11m times. Economist Radio grew in prominence, with newsmaking interviews from Hillary Clinton to Michael Wolf.

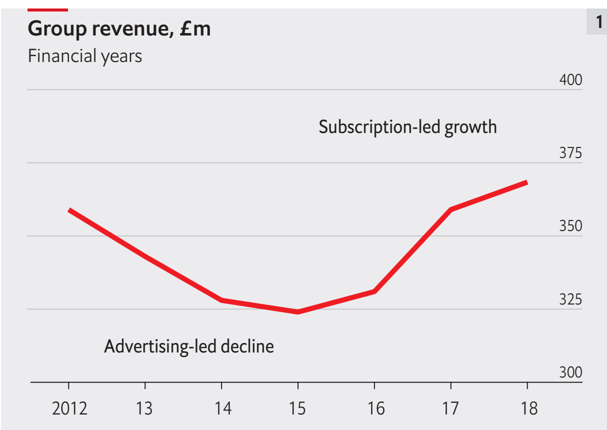
Elsewhere in the Group, the EIU's democracy index celebrated its tenth anniversary, burnishing the company's position as a leading commentator on the state of global democracy. CQ and *Roll Call* covered the chaotic dynamics of the legislative process in the first year of the Trump administration.

Our journalism won plenty of prizes. To single out just a few, our scoop on Saudi Aramco's privatisation won the Gerald Loeb award for breaking news. Adrian Wooldridge won a Loeb commentary award for his Schumpeter column. Alex Selby-Boothroyd won the Royal Statistical Society's award for statistical excellence in journalism. Miranda Johnson won the Maritime Media Awards' Desmond Wettern award. Kevin (Kal) Kallagher won a National Press Foundation award for editorial cartoons.

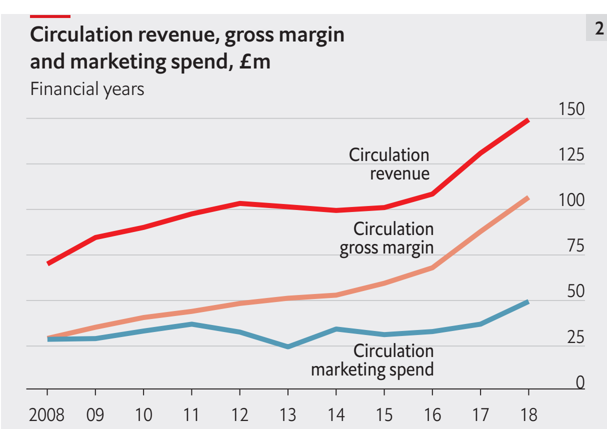
ZANNY MINTON BEDDOES

Business report

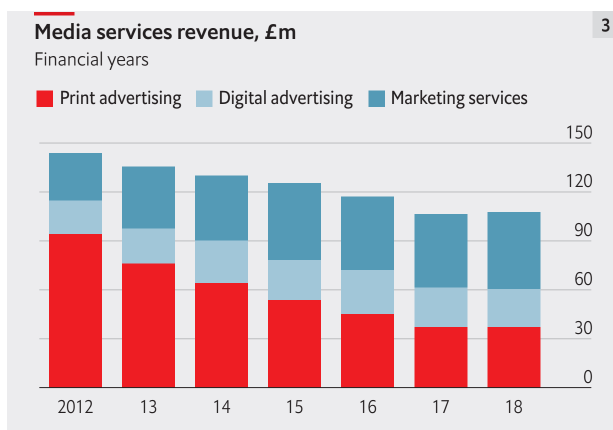
THE PUBLISHING industry has faced unprecedented disruption in recent years. As a result, in 2012 our revenues went into an advertising-led decline. We adjusted and invested in our strategy. We started to reverse the decline with circulation-led growth (see charts 1 and 4) in 2015; and, last year, we delivered record revenues. Given this success, we will continue our programme of investment. We therefore expect it to be a few more years before our earnings catch up with revenue growth.



Last year we embarked on the most ambitious investment plan in the history of *The Economist*. This year's headline numbers show a record year for revenues of £367m. Operating profits before one-off exceptional items were £49.5m, which is 2% lower than in the previous year, but this does not tell the whole story: which is that the £49.5m profit came after spending £12.6m more than in 2017 on marketing the newspaper. This investment in marketing is the cornerstone of our strategy of putting the reader at the heart of our business, stressing the brand values of *The Economist* in everything we do and investing in the most scalable business opportunity we have: subscription-based circulation revenues. Chart 2 shows the success we have had in recent years and this gives us confidence that we can continue growing.



The Economist media division, whose mission is to increase revenues from clients' marketing budgets, halted years of profit decline that were caused by structural changes in the markets seen most clearly in the decline of print advertising (see chart 3). The impressive range of capabilities we have built to satisfy clients' ever more demanding needs (represented as marketing services in chart 3) have proved crucial in stabilising the still-significant profit contribution of the media business. We aim to build on this stability in the coming years.

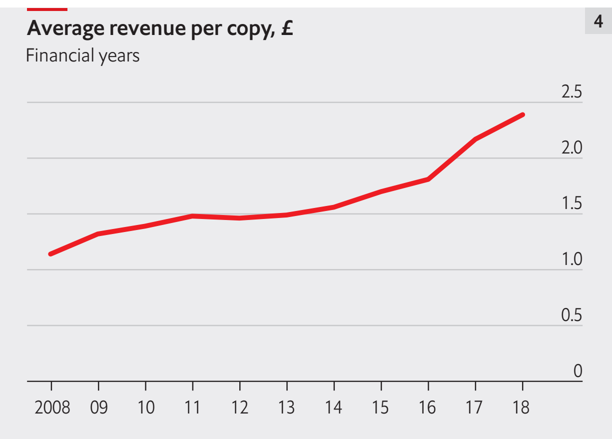


Last year did not deliver the growth that we had hoped for in our business-to-business information divisions, the Economist Intelligence Unit and CQ-Roll Call, although these businesses remain robust and we have laid the foundations to continue building valuable businesses which deliver profitable growth.

The Economist Businesses

The increased investment in marketing has led to greater brand awareness among the globally curious, boosted the acquisition of new subscribers and delivered strong profitable growth. Circulation gross margin (before marketing and overheads) exceeded £100m for the first time in the newspaper's history. The circulation of *The Economist* is the single most scalable opportunity in the group. We currently have 1.2m paying readers every week, and we aim to increase this significantly.

Last year we recruited 18% more new subscribers than in 2017. The average "lifetime value" from new subscribers, a measure that combines revenues, costs and loyalty, was 21% higher. And higher revenue per subscriber, driven by last year's price increases, helped circulation gross margin increase by 21%, reaching record levels (see chart 4).

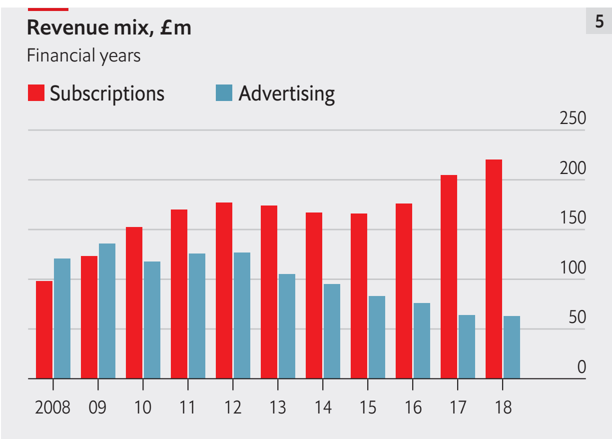


During the year we made notable progress, through the use of econometric modelling techniques, in understanding the financial impact of brand-awareness spending—in channels such as TV—on acquiring new subscribers. This puts us in a strong position in the coming years, as we can invest in raising brand awareness among potential subscribers with greater confidence in generating a financial return.

The relentless rise of search (Google) and social media (Facebook) has created an abundance of digital-advertising inventory that has undermined traditional advertising models for publishers like us. It is ever more important that we continue to stress our own brand values, reinforce the value of the context and environment in which advertising appears, and continue the transition to a fully integrated print and digital marketing services organisation that will meet the needs of our blue-chip clients and their brands. However, it should also be noted that the same dynamic that has undermined publishers' advertising models has also created a cost-effective platform for us to acquire subscribers. Search and social media are our best-performing marketing channels for acquiring new subscribers.

Despite the challenges, this has been a strong year for the media business, which delivered a 2% increase in contribution. In particular, we have seen steady growth coming out of our core market, North America, where contribution increased by £4m.

As a result of the decline in print advertising, but also because of the success of our circulation strategy over the past ten years, we have seen the Group's dependence on advertising decrease significantly, with 17% of Group revenues derived from the more volatile advertising business, down from 45% in 2008, as we move towards more stable, sustainable revenues from subscriptions (see chart 5).



Beyond advertising, our key-account focus is starting to yield rewards. The Food Sustainability Index programme for Barilla Foundation, now in its third year, is an excellent example of this approach and of exploiting an important difference we have from our media competitors. The programme also received a WMG Award for Best Media Partnership.

Last year our events strategy focused on developing further our customised-event services for clients while building strong multi-platform franchises on topics our clients and audience care about. We hosted 72 events globally: 26 scheduled events and 46 custom events. Our overall global revenue from events grew by 14%.

We ran our fifth World Ocean Summit in Playa del Carmen, Mexico. This is now one of the world's most important gatherings to discuss the global impact of changes to the oceans and the world's water. At this year's event we premiered a documentary, "Ocean: Troubled Water", produced by Economist Films. The three-day summit attracted 455 attendees from 26 countries and was extensively covered in the media.

Last year also saw the renewal of successful partnerships with key global and integrated accounts including Standard Chartered, the Dubai Chamber of Commerce and Gilead. We also had new collaborations with Brightline, Google Android and Herbert Smith Freehills. By integrating custom-event campaigns with cross-group products and services (including research, public relations, creative and media), we were able to give clients access to opinion-leaders and influencers in their space through intelligent and independent content and discussions.

During the year we intensified efforts to improve the digital experience for our readers. Shortly after the year-end we launched a new Economist app which showcases the full richness of content now available from the Group. In addition to the weekly print edition, it serves a daily selection of articles carefully chosen from our print and digital output, including news updates, blog posts and articles from *1843*—making it easier to stay on top of our best stories every day. We hope this will encourage readers to turn a weekly habit into a daily one. We also hope it will introduce readers to parts of our output they may be unfamiliar with, such as the audio edition, *Espresso* (our daily app) or *1843*.

As well as overhauling and unifying our own digital products, we continue to pursue the opportunities provided by third-party digital and social platforms. Our video audience continues to grow, in particular on YouTube, where we have made a concerted effort to build our following.

We have embraced Instagram Stories, a format inspired by Snapchat, which we already know well. A highlight of our digital output this year was the "Puteens" project, featuring interviews with Russian teenagers, the presentation of which spanned print, web, Snapchat, Instagram, Facebook and Medium. And in the coming months we plan to expand our audio output in response to the growing popularity of podcasts, a field where we have a strong track record. An agile response to external opportunities, combined with our internal focus on unification and simplicity, will maximise our ability to attract and retain subscribers.

Last year also saw the transformation of our business model for *The World In*. We appointed a new publisher who gathered a cross-functional team that worked together to deliver 60% growth over the previous year, reversing years of decline in profitability. Advertising revenue increased 38% despite the general industry pressures.

Finally, we made a structural change. Last year, we focused on investing heavily in *The Economist*'s circulation and brand identity to build a highly engaged audience, and on stabilising our media-services division through account management and cross-business collaboration. This allowed us to be innovative in the way we approach our business while creating value for readers and clients beyond our core publication. The next logical step in this approach to collaboration was to merge the commercial teams—circulation and marketing—and fully integrate our digital technology and data capabilities into a newly formed publisher team, led by Michael Brunt.

The Economist achieved record revenues in 2018. Our future looks even more promising. With the new publisher team in place, we hope to build on last year's successes and to continue to deliver on developing innovative programmes for our clients and better products and experiences for our readers.

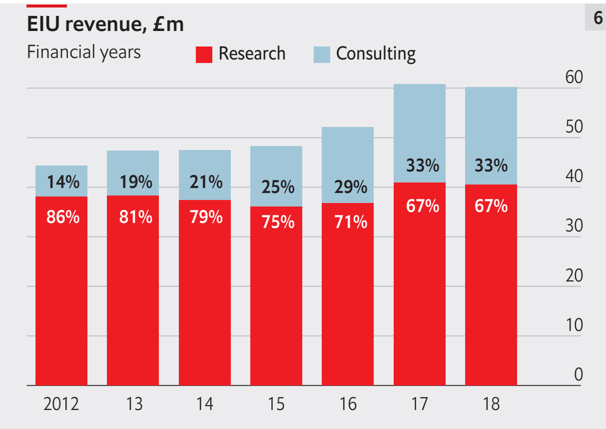
The business-to-business information divisions

Like The Economist Businesses, the Economist Intelligence Unit (EIU) continues to focus on profitable growth from paid content. The mature and market-leading country-analysis business remains stable and profitable, with growth in recent years at the EIU coming from its consulting businesses, with particular expertise in public policy, healthcare and consumer markets. At CQ-Roll Call, we continue to operate in a mature, highly competitive market concentrated within the Beltway in Washington, DC, where our focus remains the enhancing and expanding of our product portfolio, including advocacy tools, to diversify in a dynamic market.

The Economist Intelligence Unit

The EIU has provided the gold standard in country analysis for over 70 years to institutional clients, analysing the economics and politics of 204 countries of the world. As the world's best "for-profit think-tank" it has a particularly strong position with government and multilateral organisations. Clients value the focus on forecasting, the wide global coverage, the ability to support decision-making and the top-quality analysis that the EIU provides. The market it has traditionally served is relatively mature and, although the EIU is very profitable, the market offers limited opportunity for substantial growth.

We have identified in recent years that growth will therefore need to come from building sector-based capabilities in a small number of attractive global sectors, where the EIU brand resonates and where there are substantial growth opportunities. The sectors we have focused on are public policy, healthcare and consumer-demand predictive analytics. These businesses have grown from contributing 14% of EIU revenues in 2012 to 33% last year (see chart 6).



Overall, however, the EIU had, by its own standards, a challenging year in 2018, with revenues declining by 1% and profits by 4%. The economic and political forecasting business saw a good sales performance but was hit hard by exchange-rate movements. This was not compensated for by our consulting businesses, which operate in a volatile market and whose performance was mixed, with some areas showing strong growth but others coming under revenue pressure.

It was an exceptionally busy year for our editorial teams, with clients asking for help in understanding Brexit and the Trump international agenda. That translated into strong demand for our forecasting services, and our subscription renewal rate rose to 94%. Sales in China were especially strong. During the year we sharply increased the interaction between our subscribers and EIU analysts, which helped us to retain clients. We also created a new editorial hub in India and moved staff to South-East Asia and the United States. However, this is a business conducted primarily in US dollars, and the strengthening of sterling during the year hit our sterling-reported results hard.

The networking business, which delivers country and regional insights directly to senior executives across emerging markets, performed well with revenues up 4%. The changes we made last year in both the service itself and the sales and marketing approach have paid off, with renewal rates rising significantly. We are investing in our new business-development capability in order to increase membership in the year ahead.

Our public-policy consulting business had a difficult start to the year. Sales were slow as clients grappled with tight budgets, especially in our traditional government market. We had more success with corporate public-affairs teams, especially working in conjunction with the Economist media business. Business picked up in the second half of the year, in part driven by our consultant team directly winning new opportunities alongside our dedicated sales team. As always, the business worked with a wide array of clients, from American Express to the Institute of Migration.

The consumer consulting business had a very good year, with revenues up 33%. Although there was steady progress in expanding sales in China and Europe, the main reason was the opening up of a new global key account. This sharply lifted sales in the final months of the year and we expect the relationship to deepen in the year ahead. Our healthcare consulting business found the environment more difficult, with the Asian market especially slow in the first half of the year. The situation improved markedly in the second half and we have restructured this business to support growth next year, with new practices focusing on medical technology, pharmaceuticals, healthcare policy and healthcare data.

The year proved more challenging than expected. But beneath the headline numbers, good progress was made on improving our market proposition and sales efficiency. We feel confident that these changes will allow a stronger revenue performance in the coming year.

CQ-Roll Call

CQ-Roll Call (CQRC) was formed from the merger of three businesses: *Roll Call*, a daily publication focusing on the people and politics of Congress; Capitol Advantage, acquired by The Economist Group in 2008, providing grass roots advocacy tools for trade associations; and Congressional Quarterly (CQ), a market-leading legislation-tracking service acquired in 2009. Since a peak in profits in 2011, the business has been buffeted by a combination of print-advertising declines (*Roll Call*) and the impact of increased competition, a mature and finite market and government austerity measures on the legislation tracking business (CQ).

Over the past two years we have shored up the declining parts of the business, launched new products, implemented significant cost savings and created development plans to support the business more effectively.

During the year, both CQ and *Roll Call* covered the political and policy developments spurred by a new president and Congress. CQ readers were most engaged with stories about the struggle to put together a federal budget. *Roll Call* had a healthy audience. There was much interest in the new dynamics of the legislative process, since nothing was as predictable as in years past. At the White House there was a never-ending swirl of hirings, firings and the looming presence of the Mueller investigation. Now campaign coverage is heating up as we head into the mid-term elections and the potential for a big shake-up.

The investment in our federal government news- and legislation-tracking platform has increased visits to our site by 55% in the past year, with subscribers spending substantially more time on the site per visit. As well as providing a better overall experience for our customers, we revamped the delivery channels for our editorial content with new newsletters and podcasts. We also added more in-depth analysis in areas such as cyber, which is of increasing interest for our readers.

We relaunched our state legislative tool under a new brand, CQ State, and moved it to the same platform as our federal product, making moving between our tracking services seamless.

After one year of our new tool CQ Ignite, we have been able to serve even more customers by providing a range of products and services across all aspects of advocacy, setting us apart from others operating in the market. Increasingly, firms and associations ask us for help in navigating the legislative and regulatory environment for their specific organisation. Responding to this, we have launched a new service, CQ Intelligence, where we curate and create bespoke analysis—as needed by customers—allowing us to consolidate our position as the most trusted source for the potential implications of policy decisions made by Congress.

We are still the number-one source for tracking, explaining and, if necessary, responding to the activity of the US government. There is even more we can do to enhance our offerings. The team—with the close involvement of our customers—is busy creating new products and services for the future.

Strategic report (on pages 3-12) by order of the Board

Oscar Grut
Secretary

June 19th 2018

REPORT AND ACCOUNTS

Directors

Rupert Pennant-Rea
Appointed as non-executive chairman in July 2009, having served as a non-executive director since August 2006. Chairman of Royal London Group, and a non-executive director of Times Newspapers. Editor of *The Economist* from 1986 to 1993 and deputy governor of the Bank of England from 1993 to 1995. Will retire from the board in July 2018.

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

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

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

Sir David Bell
Appointed as a non-executive director in August 2005. Chair of council, University of Roehampton. Senior independent director of Cambridge University Press and Assessment Board. Trustee of Sadlers Wells Foundation. Previously an executive director of Pearson and chairman of the Financial Times.

Lord Deighton
Appointed as a non-executive director in February 2018 and will succeed Rupert Pennant-Rea as non-executive chairman in July 2018. Non-executive chairman of Heathrow Airport and Hakluyt and serves on the board of Square, Inc. Chairman of the audit and finance commission of the International Association of Athletics Federations. Previously a partner at Goldman Sachs, CEO of the London Organising Committee for the Olympic and Paralympic Games and a member of the board of the organising committee for the 2015 Rugby World Cup. He also served the UK government as a treasury minister in the House of Lords.

Eli Goldstein
Appointed as a non-executive director in October 2017. Founder and manager of the Radcliff Companies. Director of Bronfman E.L. Rothschild.

John Elkann
Appointed as a non-executive director in July 2009. Chairman and CEO of EXOR, chairman of Fiat Chrysler Automobiles, Giovanni Agnelli and PartnerRe. Vice-chairman of Ferrari and GEDI Gruppo Editoriale. Also a board member of MoMA.

Brent Hoberman
Appointed as a non-executive director in February 2016. Chairman and co-founder of Founders Factory and Founders Forum. Also co-founder of made.com, Grip and Smartup. Co-founder of firstminute capital and lastminute.com and sits on the advisory board of LetterOne Technology and the Oxford Foundry. He is a business trade ambassador for the UK government and also sits on its Digital Advisory Board.

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

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

Trustees

Baroness Jowell
Appointed as a non-executive director in November 2015. Died in May 2018. She was a member of the House of Lords and served as a member of Parliament for 23 years including eight years in the cabinet.

Sir Simon Robertson
Retired from the Board in July 2017, having served since July 2005.

Lady de Rothschild
Retired from the Board In October 2017, having served since October 2002.

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

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

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

Bryan Sanderson
Retired as a trustee in October 2017, having served since May 2006.

Board committees

Audit committee
Philip Mallinckrodt, chairman
(since July 2017)
Lady Heywood
Rupert Pennant-Rea
Sir Simon Robertson
(formerly chairman, retired July 2017)
Lady de Rothschild
(retired October 2017)

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

Nominations committee
Rupert Pennant-Rea, chairman
John Elkann
Eli Goldstein
(since October 2017)
Lady de Rothschild
(retired October 2017)

Executive team

Chris Stibbs
Zanny Minton Beddoes

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

Michael Brunt
Publisher and chief operating officer, *The Economist*. Joined the Group in 2006. He has held various roles in marketing and circulation, including most recently that of chief marketing officer and managing director, *The Economist* circulation.

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

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

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

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

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

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

Stephane Pere
EVP, business development. Formerly chief data officer. Before that, he launched Ideas People Media and worked as head of digital advertising sales for the Americas. Joined the Group in 2010, having previously worked for Yahoo! and Canal+.

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

Paul Rossi
Left the Group in April 2018, having served in a number of roles, including most recently as president of the Economist media businesses.

Elena Sukacheva
Left the Group in August 2017. Formerly the Economist media businesses' chief commercial officer.

Suprio Guha Thakurta
Left the Group in September 2017, having most recently served as chief strategy officer.

Directors' report

The directors present their report to shareholders, together with the audited consolidated financial statements, for the year ended March 31st 2018.

Developments and principal activities

The principal activities of the Group consist of publishing, the supply of business information and consulting services, conferences, marketing services and data design. Further information about the activities, developments and likely future developments of the Group are provided on pages 5-12.

Results and dividends

The profit after tax for the financial year to March 31st 2018 was £35.3m (2017: £41.4m). A final dividend of 104.0p per share (2017: 120.0p) is proposed for the year to March 31st 2018. Together with the interim dividend already paid, this makes a total proposed dividend for the year of 165.1p (2017: 183.4p). The final dividend will be paid on July 24th 2018 to shareholders on the register at the close of business on June 19th 2018.

Transactions with related parties

Details of transactions with related parties, which are to be reported under IAS 24, are set out in the notes to the financial statements on page 78.

Directors

Profiles of the directors appear on pages 16-17. All executive directors have contracts of employment.

Directors' indemnities

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

Corporate information

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

The trust shares are held by trustees (who are described on page 17), whose consent is needed for certain corporate activities. The rights attaching to the trust shares provide for the continued independence of the ownership of the company and the editorial independence of *The Economist*. Apart from these rights, they do not include the right to vote, receive dividends or have any other economic interest in the company. The appointments of the editor of *The Economist* and of the chairman of the company are subject to the approval of the trustees, as are transfers of "A" special and "B" special shares.

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

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

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

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

Shares held in treasury

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

Corporate governance

As a private company, the company is not bound by the Listing Rules of the Financial Conduct Authority to report on compliance with the UK Corporate Governance Code, but it has always sought to run its corporate affairs in line with best practice. The Board has therefore sought to comply with a number of the main principles of the code to the extent that it has considered them to be appropriate to a company of its size and nature 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. There are a number of areas where the company does not comply with the main principles of the code. For example:

- 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, Board practice is to seek the appointment of directors for three-year terms, renewable without limit (or six-year terms, in the case of the chairman).

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

Board

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

The Board currently comprises nine non-executive directors and two executive directors. Lord Deighton, Eli Goldstein, Brent Hoberman, Philip Mallinckrodt, Zanny Minton Beddoes and Rupert Pennant-Rea were appointed by the "A" special shareholders. The "B" special shareholders appointed Sir David Bell, John Elkann, Lady Heywood, Alex Karp and Chris Stibbs. Rupert Pennant-Rea will retire from the Board at the 2018 AGM and Lord Deighton will replace him as chairman. Sir Simon Robertson and Lady de Rothschild retired from the Board on July 27th and October 21st 2017 respectively. Baroness Jowell died on May 12th 2018.

The non-executive directors have a breadth of successful commercial and professional experience and they exercise independent judgment. John Elkann is the chairman and CEO of EXOR; Lady Heywood is managing director of EXOR Group; Rupert Pennant-Rea is interested in a significant number of shares. Details of directors' interests and, in relation to the executive directors only, their interests in the employee share ownership trust, are given in the directors' report on remuneration on page 23.

The Board is chaired by Rupert Pennant-Rea and has met for regular business six times in the 12 months to March 31st 2018. The Board also convenes at other times on an ad hoc basis or in committee when events warrant. It is responsible for the overall direction and strategy of the Group and for securing the optimum performance from the Group's assets. It also exercises control by determining matters specifically reserved for it in a formal schedule which only the Board may change: these matters include significant acquisitions and major capital expenditure. The Board carries out regular reviews of matters undertaken by management under delegated authority. The company's articles of association require the approval of the trustees for some actions.

Board committees

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

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

The nominations committee's terms of reference provide for the committee to be chaired by the chairman of the Board, and in addition to comprise a director representing the holder of the "B" special shares (currently John Elkann), and a director nominated by any shareholder group that owns more than 15% of both the "A" special shares and the ordinary shares (currently Eli Goldstein). These terms of reference also provide that any shareholder group that owns more than 15% of both the "A" special shares and the ordinary shares may propose the nominees for two non-executive directors (whose election remains subject to the approval of the holders of a majority of the "A" special shares). One of those nominees was Baroness Jowell, who died on May 12th 2018. The other nominee is Eli Goldstein. The committee meets as and when required, but in any event at least annually.

Internal control

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

The Group's annual review of risk highlighted the following principal areas: changes to its markets (including the increase in complexity of client marketing programmes, the pace of change in digital markets, the commoditisation of and pricing pressures on information products); volatility of the surplus/deficit on the UK defined-benefit pension scheme; building and staff safety; business continuity (including the breakdown of operational systems from external attack, the failure of key suppliers or a global disaster); the impact on the business of cybercrime attacks; regulatory risk, such as changes to privacy laws; and the financial operations of the company, specifically liquidity, foreign exchange and tax. The Group has carried out a thorough risk assessment and confirmed that it has adequate anti-bribery procedures in place covering staff, suppliers and agents.

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

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

• A budgeting system which includes an annual budget and forward projections is approved by the Board. Monthly actual results are reported against the annual budget and monthly forecasts. The charts on page 4 include some of the key performance indicators which are used to measure business performance. The company reports to shareholders at least twice a year.

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

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

• The company has an audit and risk management function which has a dual role: it advises on and reviews the regular updating of business and bribery risk registers at both Group and business levels, and carries out an independent risk-based programme of internal audit work in all parts of the Group. The audit manager reports to the Group chief financial officer but also has direct access to the chairman of the audit committee. The manager attends all audit committee meetings and makes formal reports to the committee. The register of key business risks and mitigation actions are reviewed by the Board.

• The company has a cyber-security function which minimises the Group's risk of cyber-attack. Controls to prevent and detect attacks are supplemented with assurance, mitigation and education activities. We achieve cyber-resilience by ensuring we have appropriate, tested plans and recovery resources in place coupled with effective well-rehearsed crisis management.

• The company has clearly defined guidelines for the review and approval of capital and development expenditure projects, which include annual budgets, project appraisals and designated levels of authority.

The Economist Group's guiding principles

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

• We aim to offer insight, analysis and services that are valued by our customers.

• Underpinning our ability to fulfil this objective is our commitment to independence, integrity and delivering high quality in everything we do. These values govern our relationships with readers, customers and clients, shareholders, staff, suppliers and the community at large.

• We believe in conducting business with common decency. We are opposed to bribery and do not engage in corrupt practices. We abide by strict guidelines governing the acceptance of gifts and the disclosure of potential conflicts of interest.

• We are opposed to modern slavery and human trafficking, both in our business and in our supply chain. See our Modern Slavery Act statement on our website, www.economistgroup.com, for more information.

• As an international company, we conduct business in many different markets around the world. In the countries in which we operate, we abide by local laws and regulations. We make an active contribution to local charities by charitable giving. We encourage our people to participate in charitable and community activities and we permit them to take time off for this purpose. We match employee donations of time and money to charities.

• We respect environmental standards and comply with relevant local laws. We take environmental issues seriously.

• *The Economist* and its sister publications, *1843* and *The World In* series, account for the majority of our annual spend on paper and printing. All suppliers of paper and print services used in producing these publications adhere to one or more of the following internationally recognised environmental standards: ISO 14001, FSC and PEFC.

• We value our colleagues and treat each other fairly. The Group is committed to equality of opportunity in all employment practices and policies. We do not discriminate against employees or job applicants 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.

The Group is committed to achieving gender parity. Our gender pay gap report (published March 22nd 2018) shows that we employ similar numbers of men and women; however, we need to provide more opportunities for women to progress to more senior management levels.

Annual general meeting

The notice convening the annual general meeting, to be held at 12.15pm on Tuesday July 17th 2018 at the British Academy of Film and Television Arts, can be found on page 94.

Independent auditor

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

Auditor independence

In line with best practice, the audit committee operates a policy that defines those non-audit services that the independent auditor may or may not provide to the Group. The policy requires the provision of these services to be approved in advance by the audit committee. A statement of the fees for audit and non-audit services is provided in note 3 on page 46.

Disclosure of information to the auditor

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

Statement of directors' responsibilities in respect of the financial statements

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

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

• select suitable accounting policies and then apply them consistently;

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

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

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

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

The directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board
Oscar Grut
Secretary
June 19th 2018

Directors' report on remuneration

The committee

The remuneration committee of the Board is made up of three non-executive directors: Rupert Pennant-Rea (chairman), Sir David Bell and John Elkann. The quorum necessary for the transaction of business is two members. The committee is responsible for the remuneration policy for senior executives of the Group and the policy and structure of Group bonus schemes. In determining remuneration, the committee follows a policy designed to attract, retain and motivate high-calibre executives, aligned with the interests of shareholders.

Directors' interests as at March 31st

Table 1	2018			2017		
Beneficial holdings	"A" Special	"B" Special	Ordinary	"A" Special	"B" Special	Ordinary
Rupert Pennant-Rea	75,000	-	8,750	75,000	-	8,750
Chris Stibbs	3,355	-	32,839	3,355	-	30,189
Sir David Bell	-	-	-	-	-	-
Lord Deighton (appointed February 2018)	-	-	-	-	-	-
John Elkann	-	1,260,000	7,490,000	-	1,260,000	7,490,000
Eli Goldstein (appointed October 2017)	-	-	-	-	-	-
Lady Heywood	-	-	-	-	-	-
Brent Hoberman	-	-	3,000	-	-	3,000
Baroness Jowell (died May 2018)	-	-	-	-	-	-
Alex Karp	-	-	-	-	-	-
Philip Mallinckrodt (appointed July 2017)	1,781	-	5,600	1,451	-	5,600
Zanny Minton Beddoes	-	-	6,415	-	-	6,415
Sir Simon Robertson (retired July 2017)	-	-	4,800	-	-	4,800
Lady de Rothschild (retired October 2017)	240,440	-	3,887,048	240,440	-	3,887,048
Holding as a trustee						
Lady de Rothschild	-	-	1,305,002	-	-	1,305,002
Rupert Pennant-Rea[1]	-	-	97,500	-	-	97,500
Zanny Minton Beddoes[1]	-	-	97,500	-	-	-

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

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

Chris Stibbs and Zanny Minton Beddoes have the right to acquire 25,000 (2017: 32,500) and 27,500 (2017: 25,000) ordinary shares respectively under the restricted share scheme described on the next page. In April 2018, they were awarded the right to acquire a further 10,000 ordinary shares each under the scheme. Both directors exercised options in the year.

The executive directors of the company, together with all employees of the Group, are beneficiaries of the company's employee share ownership trust. As such, Chris Stibbs and Zanny Minton Beddoes are treated as interested in the 219,997 ordinary shares (2017: 212,637) held by the trustee of that trust.

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

(a) Annual bonus plans

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

(b) Executive long-term plans

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

(c) The Economist editorial long-term plan

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

(d) The Group long-term plan

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

(e) Restricted share scheme

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

Directors' remuneration

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

Table 2
Remuneration for the years ended March 31st

	Salary/fees	Annual bonus	Long-term plan	Benefits	Total	
	2018 £000	2018 £000	2018 £000	2018 £000	2018 £000	2017 £000
Rupert Pennant-Rea	132	-	-	-	132	132
Chris Stibbs	572	-	-	18	590	538
Sir David Bell	39	-	-	-	39	39
Lord Deighton (appointed February 2018)	4	-	-	-	4	-
John Elkann[1]	-	-	-	-	-	33
Eli Goldstein (appointed October 2017)	17	-	-	-	17	-
Lady Heywood[2]	39	-	-	-	39	39
Brent Hoberman	39	-	-	-	39	39
Baroness Jowell (died May 2018)	39	-	-	-	39	39
Alex Karp[1]	-	-	-	-	-	-
Phillip Mallinckrodt (appointed July 2017)	32	-	-	-	32	-
Zanny Minton Beddoes	373	134	-	18	525	378
Sir Simon Robertson (retired July 2017)	14	-	-	-	14	46
Lady de Rothschild (retired October 2017)	22	-	-	-	22	39
Total	1,322	134	-	36	1,492	1,322

[1] Fees waived.

[2] Paid to EXOR S.A.

Directors' accrued pensions

The pensions which would be paid annually on retirement at age 65 based on service with the company to March 31st 2018 are shown below. The table does not include any additional voluntary contributions or any resulting benefits.

Table 3

	Age at March 31st 2018	Accrued pension at March 31st 2018	Accrued pension at March 31st 2017	Change
Zanny Minton Beddoes	50	£124,864	£121,263	£3,601
Chris Stibbs	The company contributed £nil to the defined-contribution scheme (2017: nil)			

Financial review

The underlying financial results reflect continuing strong revenue growth from *The Economist's* circulation and a period of stabilisation in advertising revenues following a year of rapid decline in advertising in 2017. Over the past two years, the Group embarked on the most ambitious investment plan in the history of *The Economist*. It includes a significant investment in circulation marketing as well as in other key capabilities including digital infrastructure and editorial capacity. As anticipated, it has held back profit growth this year. The Group also invested in the Economist Intelligence Unit's consulting businesses to help drive future growth. Gross profit from *The Economist*'s circulation, before marketing expenditure, grew significantly as a result of last year's price increase and higher paid circulation.

Operating result

Operating profit for the Group fell by 13% last year to £47.1m on revenues of £366.6m. The decline in operating profit is largely due to a number of exceptional items as detailed in note 4, in particular a one-off £7.2m gain in 2017 from the release of a provision for deferred consideration relating to the Canback acquisition. Removing one-off exceptional items from operating profit reveals a healthier picture with underlying operating profit of £49.5m down £1.0m or 2% on the prior year.

Revenues for the Group increased by 4% in the year as a result of strong growth in the paid circulation of *The Economist*, an improved performance from the events business and a full year for Signal Noise, the data visualisation business acquired last year. Underlying revenues were also 4% higher allowing for a weaker US dollar and the benefit of an extra week of trading for *The Economist* and CQ-Roll Call. *The Economist*'s underlying circulation revenues improved by £18m (14%), because of higher revenue per copy and an increase in paid volumes. There has been growth in event revenue (14%) and EIU consumer consulting revenue (33%). After a difficult year in 2017, advertising revenue for *The Economist* stabilised, with revenue falling by only £1m (2%). Advertising revenue for *1843*, relaunched last year, and *The World In* grew by 16% and 38% respectively.

Operating margins were affected by investments in circulation marketing, editorial, digital solutions and film capabilities. Circulation marketing spend increased by £12.6m, over one-third, to £49.6m. This investment will generate new subscribers primarily in later years. However, our continuing focus on building brand awareness and the acquisition of new subscribers is paying off already, and through a combination of higher revenue per copy and more paid subscribers, gross circulation margin improved by £19m. Underlying total costs for the Group, including the investment in circulation and double-running property costs, increased by 5%.

Profit before tax

Profit before tax fell by 18% to £40.2m in large part due to the one-off exceptional gains in 2017 from acquisition and disposal activities. This included the £7.2m acquisition-related provision release and a £2.9m profit from the sale of the Group's minority equity interest in CFO Publishing, Inc.

Finance charges decreased by £0.8m because the Group repaid $14.2m of Pricoa loan notes during the year and there were lower finance charges on deferred consideration. Finance charges on the defined-benefit pension scheme liabilities were higher.

Taxation

The effective rate of taxation for the year was 12% (2017: 16%). There is a lower tax charge following the revaluation of deferred tax assets in the US because US tax reform has led to lower future US federal tax rates. This gave rise to a £2.9m one-off tax credit.

Profit after tax and earnings per share

Profit after tax fell by 15% to £35.3m. Basic earnings per share were also 15% lower. After adjusting for last year's one-off accounting gain of £7.2m, from the release of the deferred consideration provision, profit after tax and earnings per share were both up by 3%.

Balance sheet

The shareholders' deficit on the Group's balance sheet decreased by £6.9m in the year to £90.8m, largely as a result of the decrease in the deficit in the UK defined-benefit pension scheme.

Balance-sheet liabilities include £114.4m of income received in advance from customers, a significant strength for the Group. Borrowings increased by £0.9m in the year, with additional short-term debt drawn down on the Group's revolving credit facilities largely offset by further repayment of Pricoa loan notes.

Pensions

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

For the year ended March 31st 2018, the UK defined-benefit plan's deficit, valued for accounting purposes using IAS 19 principles, decreased by £9.6m to £23.7m. The value of scheme liabilities fell by £4.0m. This reduction was driven by lower future RPI inflation expectations, which are 3.10%

compared with 3.35% at the previous year-end. Asset values improved by £5.6m. The triennial actuarial value of the fund at the last formal valuation date of January 1st 2016 determined a deficit on a funding basis of £20.2m. The Group agreed to close the deficit over a period ending in May 2020.

Dividend

The directors carried out their regular assessment of the feasibility of paying special dividends in the light of debt levels, cashflows, trading conditions, business risks, and investment needs. In November 2017 they decided not to pay a special dividend in view of the changing market environment and the cash needs of the business.

The per share value of the interim dividend (61.1p per share), paid in December 2017, when added to last year's final dividend (120.0p per share), paid in July 2017, brought the total paid in the year to 181.1p, 12.1p less than in the previous year. This represented a cash yield of 6.4% based on the year-end share price of £28.50. Cash dividend cover levels were unchanged as normalised earnings per share covered cash dividends by 1.0 times (2017: 1.0 times).

Treasury and foreign exchange

The Group's treasury policy and approach is to identify and to constantly monitor and manage financial risks, including foreign-exchange and interest-rate exposures, as well as maintaining tight control over loan and cash balances. This includes policies to manage insolvency risk associated with counterparties that hold our deposits. Treasury policies are agreed by the Board and implemented on a day-to-day basis by the central UK treasury department. A treasury committee, which includes the Group chief executive and chief financial officer, provides guidance and acts as a monitor of treasury activities. The treasury department acts as a cost centre and not as a profit centre.

The Group had net debt of £116.1m at the year-end (2017: £104.9m). The Group has five-year term loans in place with Barclays (£42.6m) and Royal Bank of Scotland (RBS, £28.4m) expiring in October 2020. The loans incur interest at LIBOR plus 1.20%-1.90% depending on the Group's ratio of net debt to EBITDA at its reporting dates.

The Group has committed revolving credit facilities with Barclays (£45.0m) and RBS (£24.0m) expiring in 2020. The committed facilities with Barclays incur non-utilisation fees of between 0.4%-0.6% and, if drawn, will incur interest at LIBOR plus 1.0%-1.5% as well as utilisation fees depending on levels drawn. The RBS committed facilities incur non-utilisation fees of 0.5%-1.1% and, if drawn, will incur interest at LIBOR plus 1.25%-2.5%.

At the year-end the Group had borrowings of £128.3m (2017: £127.4m) net of issue costs. This related to the five-year draw-down term loans totalling £70.7m, revolving credit and overdraft facilities of £17.3m, and loan notes totalling $57.0m (£40.4m) taken out under private shelf agreements with Pricoa. The Pricoa notes were originally taken out to fund the acquisition of CQ in 2009 and were repayable between years six and ten after inception. Repayments were due in July 2014 and July 2015 and the Board decided, given favourable long-term rates available in the market and the greater cash flexibility it would create, to refinance them. The Group repaid notes of $14.2m each in July 2016 and July 2017. At the year-end there were $28.3m of notes repayable between July 2018 and 2019 under the original shelf facility at interest rates of 8.53% and 8.32%, $14.5m of notes drawn under a shelf facility repayable in July 2022 at an interest rate of 5.89%, and $14.2m of notes drawn under a shelf facility repayable in July 2023 at an interest rate of 5.75%.

Cash and deposits at March 31st 2018 totalled £12.2m (2017: £22.6m). The Group's policy is to deposit cash not required as working capital, as soon as practicable, in AAA-rated and AA-rated money market funds. These funds were earning 0.25% for sterling deposits and 1.0% for US deposits at the year-end. Counterparty limits approved by the treasury committee and notified to the Board are used to manage the risk of loss on deposits. The Group has not experienced any losses to date on its deposited cash.

The main currency exposure of business transactions relates to US dollar receipts from sales in the United States. The foreign-exchange risk on this and other smaller currency exposures is managed by the treasury department, through the use of forward foreign-exchange contracts and through funding US acquisitions with US dollar-denominated loans. Foreign-exchange risk is actively managed only on currencies where the net exposure exceeds £3m, currency equivalent, per year. The split of net cash balances between dollars, sterling and other currencies is kept under constant review. The Group does not establish or maintain instruments that hedge the translation of overseas profits or assets and liabilities into sterling.

For the year, the US dollar averaged $1.33 against sterling (2017: $1.31) and closed at $1.41 (2017: $1.25). The weaker dollar has reduced the translation of revenues and operating profits over the prior year by £5.1m and £2.1m respectively. Realised and unrealised gains from currency derivatives and translation of the balance sheet were £0.8m (2017: £4.5m loss).

Cashflow

For the financial year there was a cash outflow of £17.5m before debt financing compared with an inflow of £1.1m in 2017. Operating cash flow decreased by 21% to £49.3m whereas last year it increased by 29%, benefiting from the global 20% increase in circulation subscription prices in 2017 as well as the strengthening of the US dollar following the outcome of the EU referendum. There was no similar price increase in 2018 and the growth in subscribers to *The Economist* this year is characterised by shorter-term subscription periods. Higher capital expenditure in 2018 included the build-out of new editorial headquarters in the Adelphi building and continuing investment in digital infrastructure projects.

Accounting standards development

There are a number of forthcoming changes to International Financial Reporting Standards applicable to the Group in 2019 and beyond. The Group has completed its review of the impact of IFRS 9 "Financial Instruments", effective for the year ending March 31st 2019, and has concluded that there is no significant change to how financial instruments will be classified, recognised or measured. The Group has completed its review of the impact of IFRS 15 "Revenue from contracts with customers", effective for the year ending March 31st 2019, and has concluded that there is no significant change to how and when it will recognise revenues. The only change expected is that revenues currently recognised net of subscription agent commissions, estimated at £6m per annum, are likely to be recognised gross. The new standard will increase the amount of disclosures relating to revenue recognition. IFRS 16 "Leases" will be effective for the year ending March 31st 2020. The Group is currently assessing the impact of this standard, which will require all leases to be recognised as finance lease liabilities on the balance sheet and will provide further impact analysis in 2019.

SHANE NAUGHTON

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

Report on the audit of the financial statements

Our opinion
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at March 31st 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Economist Newspaper Limited (the "parent company") and its subsidiaries (the Group) which comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated and parent company balance sheets;
- the Consolidated and parent company statements of changes in equity;
- the Consolidated cashflow statement; and
- the related notes 1 to 31 and parent company notes 1 to 22.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going-concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going-concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

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

We have nothing to report in respect of these matters.

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

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

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

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

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

June 20th 2018

Consolidated income statement

NOTE	Year ended March 31st	2018 £000	2017 £000
1, 2	**Revenue**	**366,603**	**353,236**
	Cost of sales	(111,506)	(115,144)
	Gross profit	**255,097**	**238,092**
	Distribution costs	(38,520)	(37,795)
	Marketing, development and other administrative costs	(167,073)	(149,779)
	Operating profit before acquired intangible amortisation and exceptional items	**49,504**	**50,518**
	Acquired intangible amortisation	(521)	(394)
4	Exceptional items	(1,906)	3,894
2	**Operating profit**	**47,077**	**54,018**
6	Finance costs	(6,930)	(7,689)
	Finance income	84	76
	Profit on sale of investment	-	2,946
1, 2	**Profit before tax**	**40,231**	**49,351**
7	Income tax	(4,968)	(7,988)
	Profit for the year	**35,263**	**41,363**
	Attributable to:		
	Equity shareholders of the company	35,263	41,363
	Earnings per share for profit attributable to equity shareholders of the company during the year		
8	**Basic (pence)**	**176.8**	**207.3**
8	Diluted (pence)	175.0	205.3
	Normalised earnings per share for profit attributable to equity shareholders of the company during the year		
8	**Basic (pence)**	**176.8**	**192.5**
8	Diluted (pence)	175.0	190.6
9	Dividends per share on a cash basis (pence)	181.1	193.2
9	Dividends per share including proposed dividends (pence)	165.1	183.4

Consolidated statement of comprehensive income

NOTE	Year ended March 31st	2018 £000	2017 £000
	Profit for the year	**35,263**	**41,363**
	Items that may be reclassified subsequently to the income statement:		
22	Change in fair value of cashflow hedges	2,897	3
	Net exchange differences on translation of net investments in overseas subsidiary undertakings	(8,944)	10,114
	Net exchange differences on foreign currency loans	6,425	(8,751)
	Items that will not be reclassified in the income statement:		
20	Remeasurement of retirement benefit obligations	9,135	(29,150)
	Attributable tax	(1,553)	4,996
	Other comprehensive income/(expense) for the year	7,960	(22,788)
	Total comprehensive income for the year	**43,223**	**18,575**
	Attributable to:		
	Equity shareholders of the company	43,223	18,575

Consolidated balance sheet

NOTE	As at March 31st	2018 £000	2017 £000
11	Property, plant and equipment	12,008	10,355
12	Intangible assets	147,929	153,523
13	Deferred income tax assets	7,059	9,753
14	Other financial assets	100	100
	Non-current assets	**167,096**	**173,731**
15	Inventories	906	1,518
16	Trade and other receivables	66,543	63,934
22	Financial assets - derivative financial instruments	1,796	-
17	Cash and cash equivalents	12,220	22,557
	Current assets	**81,465**	**88,009**
	Total assets	**248,561**	**261,740**
18	Trade and other liabilities	(13,634)	(17,311)
19	Financial liabilities - borrowings	(101,077)	(116,134)
13	Deferred income tax liabilities	(8,319)	(11,419)
20	Retirement benefit obligations	(26,048)	(35,797)
21	Provisions	-	(2,844)
	Other liabilities	(4,904)	(3,763)
	Non-current liabilities	**(153,982)**	**(187,268)**
18	Trade and other liabilities	(149,030)	(152,180)
19	Financial liabilities - borrowings	(27,256)	(11,282)
22	Financial liabilities - derivative financial instruments	-	(1,101)
	Current income tax liabilities	(4,791)	(6,197)
21	Provisions	(3,786)	(861)
	Other liabilities	(505)	(529)
	Current liabilities	**(185,368)**	**(172,150)**
	Total liabilities	**(339,350)**	**(359,418)**
	Net liabilities	**(90,789)**	**(97,678)**
	Equity		
25	Share capital	1,260	1,260
26	ESOP shares	(3,116)	(2,903)
27	Treasury shares	(188,823)	(188,823)
	Translation reserve	(4,971)	(5,349)
	Retained earnings	104,861	98,137
	Total deficit	**(90,789)**	**(97,678)**

The consolidated financial statements were approved by the board of directors and authorised for issue on June 19th 2018. They were signed on its behalf by:

Rupert Pennant-Rea
Chris Stibbs
Directors

The Economist Newspaper Limited registered number 236383

Consolidated statement of changes in equity

Year ended March 31st 2018

NOTE		Share capital £000	ESOP shares £000	Treasury shares £000	Translation reserve £000	Retained earnings £000	Total equity £000
		Equity attributable to equity shareholders of the company					
	At April 1st 2017	**1,260**	**(2,903)**	**(188,823)**	**(5,349)**	**98,137**	**(97,678)**
	Profit for the year	-	-	-	-	35,263	35,263
	Other comprehensive income	-	-	-	378	7,582	7,960
	Total comprehensive income	-	-	-	378	42,845	43,223
26	Net purchase of own shares	-	(213)	-	-	-	(213)
	Dividends	-	-	-	-	(36,121)	(36,121)
	At March 31st 2018	**1,260**	**(3,116)**	**(188,823)**	**(4,971)**	**104,861**	**(90,789)**

Year ended March 31st 2017

NOTE		Share capital £000	ESOP shares £000	Treasury shares £000	Translation reserve £000	Retained earnings £000	Total equity £000
		Equity attributable to equity shareholders of the company					
	At April 1st 2016	**1,260**	**(2,480)**	**(188,823)**	**(6,715)**	**119,488**	**(77,270)**
	Profit for the year	-	-	-	-	41,363	41,363
	Other comprehensive expense	-	-	-	1,366	(24,154)	(22,788)
	Total comprehensive income	-	-	-	1,366	17,209	18,575
26	Net purchase of own shares	-	(423)	-	-	-	(423)
	Dividends	-	-	-	-	(38,560)	(38,560)
	At March 31st 2017	**1,260**	**(2,903)**	**(188,823)**	**(5,349)**	**98,137**	**(97,678)**

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

Consolidated cashflow statement

Year ended March 31st	2018 £000	2017 £000
Cashflows from operating activities		
Operating profit	47,077	54,018
Depreciation, amortisation and impairment charges	6,230	6,969
Acquisition costs	-	200
Inventories	596	(142)
Trade and other receivables	(7,828)	3,976
Trade and other liabilities	5,578	2,128
Retirement benefit obligations	(1,595)	(5,531)
Provisions	(808)	819
Cash generated from operations	**49,250**	**62,437**
Income taxes paid	(7,431)	(12,661)
Net cash generated from operating activities	**41,819**	**49,776**
Investing activities		
Interest received	84	1,283
Purchase of intangible assets	(7,669)	(7,460)
Purchase of property, plant and equipment	(6,198)	(2,693)
Costs relating to sale of property, plant and equipment	-	(871)
Proceeds from sale of investments	273	2,224
Purchase of subsidiary undertakings, net of cash acquired	-	(1,535)
Net cash used in investing activities	**(13,510)**	**(9,052)**
Financing activities		
Dividends paid	(36,121)	(38,560)
Interest paid	(5,824)	(6,146)
Purchase of own shares	(213)	(423)
Purchase of treasury shares	-	(474)
Proceeds from repayment of loan notes	-	2,665
Proceeds from borrowings	64,724	27,889
Repayment of borrowings	(58,875)	(42,243)
Net cash used in financing activities	**(36,309)**	**(57,292)**
Effects of exchange rate changes on cash and cash equivalents	(3,604)	3,360
Net decrease in cash and cash equivalents	(11,604)	(13,208)
Cash and cash equivalents at the beginning of the year	22,557	35,765
Cash and cash equivalents at the end of the year	**10,953**	**22,557**

Consolidated cashflow statement (continued)

Year ended March 31st	2018	2017
Net debt	£000	£000
Net debt at beginning of the year	(104,859)	(97,028)
Net decrease in cash and cash equivalents	(11,604)	(13,208)
Proceeds from borrowings	(64,724)	(27,889)
Repayment of borrowings	58,875	42,243
Other non-cash changes	(226)	(226)
Effect of foreign-exchange rate movements	6,425	(8,751)
Net debt at the end of the year	**(116,113)**	**(104,859)**
Net debt comprises:		
Cash at bank and in hand	12,220	22,557
Bank overdrafts	(1,267)	-
Total cash and cash equivalents	10,953	22,557
Borrowings	(127,066)	(127,416)
Total net debt	**(116,113)**	**(104,859)**

Notes to the consolidated financial statements

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

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

These consolidated financial statements were approved for issue by the board of directors on June 19th 2018.

Note 1 Accounting policies

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

a. Basis of preparation

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

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) to fair value through profit or loss.

Notwithstanding the fact that the Group has net liabilities, the directors believe it is appropriate to prepare the financial statements on a going-concern basis based on: the strength of future anticipated trading; the nature and timing of settlement of the Group's liabilities; and the availability of committed financing to meet future cashflow needs of the Group.

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

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

IFRS 9 "Financial Instruments", effective for annual reporting periods beginning on or after January 1st 2018. The new standard details the requirements for the classification, measurement and recognition of financial assets and liabilities. The new standard, which the Group will apply next year, will impact hedge accounting and receivables provisioning. The basis of documentation and effectiveness testing of hedges under the new standard will be linked more closely to the risk management objectives, which may generate different levels of effectiveness than the current testing under IAS 39. The Group has confirmed that its current hedge relationships will continue to qualify as hedges under IFRS 9. Receivables provisioning will move from an incurred to an expected loss model. No material impact is anticipated to the value of provisions recognised.

IFRS 15 "Revenue from Contracts with Customers", effective for annual reporting periods beginning on or after January 1st 2018. The new standard specifies how and when an entity will recognise revenue, and requires more detailed disclosure. The Group has evaluated the impact of this new standard, which will apply next year, at contract level. Certain of the Group's revenues from subscription contracts acquired through agents are currently recorded net of commissions payable to agents. On adoption of the new standard, revenue will be recorded gross with an estimated £6m per annum of commissions recognised within cost of sales. The new standard is likely to impact the timing of revenue recognition due to enhanced guidance around performance obligations, though not materially.

IFRS 16 "Leases", effective for annual reporting periods beginning on or after January 1st 2019. The new standard details the requirements for the classification, measurement and recognition of lease arrangements. Adoption of the new standard is likely to have a material impact on the Group. Management continues to assess this impact but cannot reasonably estimate this impact due to judgments which are required to be made for each lease and the adoption methods available. The actual impact of applying IFRS 16 will depend on the composition of the Group's lease portfolio at the adoption date and the extent to which the Group chooses to use practical expedients and recognition exemptions.

2. Critical accounting assumptions and judgments.

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

- Consolidation: Business combinations – determination of fair values (notes 1b and 31);
- Intangible assets: Goodwill (notes 1e and 12);
- Intangible assets: Acquired customer lists and contracts (notes 1e and 12);
- Taxation (notes 1l, 7 and 13);
- Employee benefits: Pensions (notes 1m and 20); and
- Employee benefits: Share-based payments (notes 1m and 10).

b. Consolidation

1. Business combinations

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

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

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

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

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

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

2. Subsidiaries

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

c. Foreign currency translation

1. Functional and presentation currency

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

2. Transactions and balances

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

3. Group companies

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

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

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

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

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

The principal overseas currency for the Group is the US dollar. The average rate for the year against sterling was $1.33 (2017: $1.31) and the year-end rate was $1.41 (2017: $1.25).

d. Property, plant and equipment

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance-sheet date.

The carrying value of an asset is written down to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable amount.

e. Intangible assets

1. Goodwill

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

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

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units (CGUs) to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cashflows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the balance-sheet date was £126,828,000. There have been no impairments to the value of goodwill. See note 12 for details of key assumptions, the tests for impairment and the sensitivity of the estimates used by the Group.

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

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

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

2. Acquired software

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

3. Internally developed software

Internal and external costs incurred during the preliminary stage of developing computer software for internal use are expensed as incurred. Internal and external costs incurred to develop computer software for internal use during the application development stage are capitalised if the Group expects economic benefits from the development. Capitalisation in the application development stage begins once the Group can reliably measure the expenditure attributable to the software development and has demonstrated its intention to complete and use the software. Internally developed software is amortised on a straight-line basis over its estimated useful life of between three and ten years.

4. Acquired intangible assets

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

f. Other financial assets

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

g. Inventories

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

h. Cash and cash equivalents

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

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

i. Share capital

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

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

j. Borrowings

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

k. Derivative financial instruments

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

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

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

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

l. Taxation

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

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

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

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

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

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

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

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

m. Employee benefits

1. Pensions

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

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

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

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

The service cost, representing benefits accrued over the year, is included in the income statement as an operating cost. Past-service costs are recognised in full in the income statement in the period in which they occur. Net interest is calculated by applying the discount rate to the net defined-benefit obligation and is presented as finance costs or finance income. Obligations for contributions to defined-contribution pension plans are recognised as an operating expense in the income statement as incurred.

Determining the value of pension liabilities at the balance-sheet date requires a number of key variables, including inflation, longevity and the discount rate to be estimated by the Group. These estimates have a material impact on the valuation of the pension liability. See note 20 for details of the pension liability valuation and the sensitivity of the assumptions used by the Group.

2. Other post-retirement obligations

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

3. Share-based payments

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

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

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

n. Provisions

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

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

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

o. Revenue recognition

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

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

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

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

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

On certain contracts for the sale of digital editions of *The Economist*, where the Group acts as agent, only commission and fees receivable for services rendered are recognised as revenue. Any third-party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement are not included in revenue.

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

p. Leases

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

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

q. Dividends

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

r. Trade receivables

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

s. Company income statement

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

NOTE 2 Segment information

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

	Revenue		Operating profit	
	2018	2017	2018	2017
Analysis by business	£000	£000	£000	£000
The Economist Businesses	261,926	242,624	22,299	19,930
The Economist Intelligence Unit	60,233	60,788	17,198	17,921
CQ-Roll Call	44,444	49,824	10,007	12,667
Revenue/operating profit before amortisation and exceptional items	366,603	353,236	49,504	50,518
Acquired intangible amortisation (note 12)	-	-	(521)	(394)
Exceptional items (note 4)	-	-	(1,906)	3,894
	366,603	353,236	47,077	54,018

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

Revenue is generated from the sale of goods £119,025,000 (2017: £106,273,000), services £236,709,000 (2017: £234,727,000) and from royalties £10,869,000 (2017: £12,236,000).

	Revenue		Profit before tax		Net (liabilities)/assets	
	2018	2017	2018	2017	2018	2017
Analysis by origin of legal entity	£000	£000	£000	£000	£000	£000
Europe	216,073	197,237	23,318	25,714	(172,384)	(180,380)
Middle East and Africa	341	408	(109)	(79)	(69)	25
North America	136,270	135,907	14,504	19,793	62,391	62,392
South America	112	187	(221)	(134)	(273)	(70)
Asia	13,807	19,497	2,739	4,057	19,546	20,355
	366,603	353,236	40,231	49,351	(90,789)	(97,678)

	2018	2017
Revenue by customer location	£000	£000
United Kingdom	63,406	65,343
North America	171,145	170,280
Continental Europe	57,138	48,638
Asia	56,761	52,478
Other	18,153	16,497
	366,603	353,236

NOTE 3 Operating expenses

By function	2018 £000	2017 £000
Other product costs	28,569	31,717
Distribution and fulfilment	37,580	36,917
Employee benefit costs	129,247	122,995
Contract labour	15,634	16,955
Employee-related expense	9,282	8,618
Promotional costs	53,880	40,563
Depreciation of property, plant and equipment (note 11)	2,588	4,766
Amortisation of acquired intangible assets (note 12)	521	394
Amortisation of software and other intangibles (note 12)	3,121	1,809
Property and facilities	8,759	7,363
Technology and communications	9,307	11,538
Professional and outsourced services	11,580	9,804
Other general and administrative costs	1,040	1,118
Acquisition costs	-	200
Operating lease charges	8,628	6,692
Foreign exchange (gains)/losses	(763)	4,511
Provisions for contingent consideration relating to acquisitions	-	(7,163)
Other net losses	553	421
Total costs	319,526	299,218

During the year the Group obtained the following services from the Group's auditor	2018 £000	2017 £000
The audit of parent company and consolidated financial statements	225	169
The audit of the company's subsidiaries	331	389
Total audit fees	556	558
Other assurance services	10	116
Tax compliance services	50	61
Tax advisory services	-	43
Other services	25	99
Total non-audit services	85	319
Total Group auditor's remuneration	641	877

NOTE 4 Exceptional items

The following exceptional items have been charged/(credited) to operating profit	2018 £000	2017 £000
Movement in contingent consideration relating to acquisitions	-	(7,163)
Reorganisation costs (see note 5)	1,906	2,408
Onerous lease provision	-	861
	1,906	(3,894)

NOTE 5 Employee information

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

	2018		2017	
Analysis by business	Monthly average	Year-end	Monthly average	Year-end
The Economist Businesses	861	882	808	848
The Economist Intelligence Unit	376	380	356	368
CQ-Roll Call	228	231	229	221
	1,465	1,493	1,393	1,437

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

Employee benefit costs including directors' emoluments	2018 £000	2017 £000
Wages and salaries	109,083	104,684
Social security costs	9,615	9,224
Share-based payment costs	2,469	2,236
Retirement benefits - defined-benefit plans	2,923	2,652
Retirement benefits - defined-contribution plans	5,157	4,199
	129,247	122,995

Wages and salaries include £1,906,000 (2017: £2,408,000) of restructuring-related costs.

NOTE 6 Finance costs

	2018 £000	2017 £000
Interest payable on bank loans and overdrafts	1,915	1,588
Amortisation of issue costs of loans	226	226
Movements in acquisition contingent consideration	237	685
Net finance costs in respect of retirement benefits	906	238
Interest payable on other loans	3,254	4,455
Other finance charges	392	497
Finance costs	6,930	7,689

NOTE 7 Income tax

Current tax expense	2018 £000	2017 £000
UK corporation tax expense	5,116	3,893
Foreign tax expense	834	996
Adjustment in respect of prior years	101	405
	6,051	5,294
Deferred tax (credit)/expense		
Current year	2,462	2,461
Effect of change in tax rates	(2,937)	19
Adjustments in respect of prior years	(608)	214
	(1,083)	2,694
Total tax expense in income statement	4,968	7,988
Effective tax rate	12%	16%

The UK corporation tax rate for the year is 19% (2017: 20%). The tax on the Group's profit before tax differs from the theoretical amount that would arise using the UK tax rate for the reasons set out in the following reconciliation:

	2018 £000	2017 £000
Profit before tax	40,231	49,351
Tax calculated at UK rate of 19% (2017: 20%)	7,644	9,870
Factors affecting the tax charge:		
Disallowed expenditure	570	979
Release of contingent consideration	-	(2,372)
Different tax rates of subsidiaries operating in overseas jurisdictions	194	2,520
US state taxes	431	(50)
Profit on sale of investment	-	(589)
Impact of Group financing	-	(1,230)
Utilisation of previously unrecognised tax losses and credits	19	30
Movement on uncertain tax provisions	(440)	(1,837)
Other	(6)	29
Adjustments in respect of prior years	(507)	619
Effect of change in tax rates on deferred tax	(2,937)	19
Total tax expense for the year	4,968	7,988
UK	5,582	5,429
Overseas	(614)	2,559
Total tax expense	4,968	7,988

NOTE 7 Income tax (continued)

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

	2018 £000	2017 £000
Current tax	-	712
Deferred tax (note 13)	(1,553)	4,284
	(1,553)	4,996

NOTE 8 Earnings per share

Basic

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

Diluted

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

	2018 £000	2017 £000
Profit for the year	35,263	41,363
Adjustment in respect of non-operating exceptional items		
- Profit on sale of investments	-	(2,946)
Normalised earnings	35,263	38,417
	000s	000s
Weighted average number of shares	19,942	19,953
Effect of dilutive share options (restricted share scheme units)	203	199
Weighted average number of shares for diluted earnings	20,145	20,152
	2018	2017
Earnings per share	Pence	Pence
Basic	176.8	207.3
Diluted	175.0	205.3
Normalised earnings per share (before non-operating exceptional items)		
Basic	176.8	192.5
Diluted	175.0	190.6

NOTE 9 Dividends

Cash dividends paid	2018 £000	2017 £000
Final dividend for previous year of 120.0p per share (2017: 129.8p per share)	23,938	25,908
Interim paid of 61.1p per share (2017: 63.4p per share)	12,183	12,652
	36,121	38,560

All shareholders other than holders of trust and treasury shares (see notes 26 and 27) receive the above dividend per share. Dividends amounting to £389,000 (2017: £389,000) in respect of the company's shares held by the ESOP (note 26) have been deducted in arriving at the aggregate of dividends paid.

Dividends proposed in respect of the year	2018 £000	2017 £000
Interim dividend paid of 61.1p per share (2017: 63.4p per share)	12,183	12,652
Final dividend proposed of 104.0p per share (2017: 120.0p per share)	20,737	23,938
	32,920	36,590

The directors are proposing a final dividend in respect of the financial year ended March 31st 2018 of 104.0p. Dividends amounting to £229,000 in respect of the company's shares held by the ESOP have been deducted in arriving at the total dividend proposed of £20,737,000. The proposed final dividend is subject to approval by shareholders and has not been recognised as a liability in these financial statements.

NOTE 10 Share-based payments

The Group's total charge recognised with respect to share-based payment transactions amounted to £2,469,000 (2017: £2,236,000):

The total carrying value of share-based payment transactions is £4,182,000 (2017: £4,139,000), analysed as:

	2018 £000	2017 £000
Current liabilities	2,982	1,259
Non-current liabilities	1,200	2,880
	4,182	4,139

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

	2018		2017	
Restricted share scheme	No. of options	Weighted average share price (£)	No. of options	Weighted average share price (£)
Outstanding at April 1st	199,000	33.34	149,250	34.78
Granted during the year	70,000	29.95	80,000	32.55
Forfeited during the year	(5,000)	(31.92)	(5,500)	(34.36)
Exercised during the year	(61,250)	(34.33)	(24,750)	(36.58)
Outstanding at March 31st	202,750	31.28	199,000	33.34
Exercisable at March 31st	49,000	31.96	28,750	33.77

The weighted average remaining contractual life for outstanding options at March 31st 2018 was 16 months (2017: 18 months).

NOTE 11 Property, plant and equipment

	Leasehold buildings		Plant and		
	Long	Short	machinery	Equipment	Total
Cost	£000	£000	£000	£000	£000
At April 1st 2016	3,676	5,391	976	30,809	40,852
Additions	2,287	242	-	2,063	4,592
Disposals	-	-	-	(64)	(64)
Exchange differences	569	278	-	1,376	2,223
At March 31st 2017	6,532	5,911	976	34,184	47,603
Additions	3	4,339	-	1,843	6,185
Disposals	-	-	(47)	(2,811)	(2,858)
Reclassification	-	-	-	(1,344)	(1,344)
Exchange differences	(743)	(239)	-	(1,321)	(2,303)
At March 31st 2018	5,792	10,011	929	30,551	47,283

	Leasehold buildings		Plant and		
	Long	Short	machinery	Equipment	Total
Accumulated depreciation	£000	£000	£000	£000	£000
At April 1st 2016	1,451	1,971	976	26,568	30,966
Charge for the year	2,343	632	-	1,791	4,766
Disposals	-	-	-	(51)	(51)
Exchange differences	225	159	-	1,183	1,567
At March 31st 2017	4,019	2,762	976	29,491	37,248
Charge for the year	187	759	-	1,642	2,588
Disposals	-	-	(47)	(2,811)	(2,858)
Exchange differences	(456)	(163)	-	(1,084)	(1,703)
At March 31st 2018	3,750	3,358	929	27,238	35,275
Carrying amounts					
At April 1st 2016	2,225	3,420	-	4,241	9,886
At March 31st 2017	2,513	3,149	-	4,693	10,355
At March 31st 2018	2,042	6,653	-	3,313	12,008

Depreciation expense of £181,000 (2017: £202,000) has been included in the income statement in cost of sales and £2,407,000 (2017: £4,564,000) in administrative costs.

NOTE 12 Intangible assets

Cost	Goodwill £000	Acquired technology & databases £000	Acquired customer relationships £000	Licences and software £000	Intangible assets in development £000	Total £000
At April 1st 2016	156,275	556	1,726	10,156	3,482	172,195
Additions	-	-	-	3,171	4,731	7,902
Acquisition through business combination	3,214	-	1,052	-	-	4,266
Transfer	-	-	-	1,309	(1,309)	-
Exchange differences	18,574	-	268	776	-	19,618
At March 31st 2017	178,063	556	3,046	15,412	6,904	203,981
Additions	705	-	-	5,240	3,210	9,155
Disposals	-	-	-	(540)	-	(540)
Reclassification	-	-	-	-	1,344	1,344
Transfer	-	-	-	583	(583)	-
Exchange differences	(15,623)	-	(227)	(566)	(172)	(16,588)
At March 31st 2018	163,145	556	2,819	20,129	10,703	197,352

Accumulated amortisation	Goodwill £000	Acquired technology & databases £000	Acquired customer relationships £000	Licences and software £000	Intangible assets in development £000	Total £000
At April 1st 2016	35,804	46	147	7,601	-	43,598
Charge for the year	-	85	309	1,809	-	2,203
Exchange differences	4,066	6	23	562	-	4,657
At March 31st 2017	39,870	137	479	9,972	-	50,458
Charge for the year	-	86	435	3,121	-	3,642
Disposals	-	-	-	(540)	-	(540)
Exchange differences	(3,553)	-	(51)	(533)	-	(4,137)
At March 31st 2018	36,317	223	863	12,020	-	49,423
Carrying amounts						
At April 1st 2016	120,471	510	1,579	2,555	3,482	128,597
At March 31st 2017	138,193	419	2,567	5,440	6,904	153,523
At March 31st 2018	126,828	333	1,956	8,109	10,703	147,929

NOTE 12 Intangible assets (continued)

Goodwill

The goodwill carrying value of £126,828,000 relates to acquisitions completed after January 1st 1998. Prior to January 1st 1998, all goodwill was written off to reserves on the date of acquisition. For acquisitions completed between January 1st 1998 and March 31st 2014, no value was ascribed to intangible assets other than goodwill and goodwill on each acquisition was amortised over a period of up to 20 years. On adoption of IFRS on April 1st 2014, the Group chose not to restate the goodwill balance and at that date the balance was frozen (amortisation ceased). If goodwill had been restated then a significant value would have been ascribed to other intangible assets, which would be subject to amortisation, and the carrying value of goodwill would be significantly lower. For acquisitions completed after April 1st 2014, value has been ascribed to other intangible assets which are amortised.

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

- cashflow projections based on financial plans approved by management covering a five-year period;
- cashflows for the final year of the plan increased in line with growth expectations of the applicable businesses;
- pre-tax discount rates of 10.5%, 2% higher than the company's derived weighted average cost of capital (WACC) of 8.5%;
- long-term nominal growth of between 0% and 5%, depending on the maturity of the business.

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

Further disclosures in accordance with IAS 36 are provided where the Group holds an individual goodwill item relating to a CGU that is significant, which the Group considers to be 15% of the total net book value, in comparison with the Group's total carrying value of goodwill. The only significant item of goodwill included in the net book value relates to CQ-Roll Call. Using the above methodology, a pre-tax discount rate of 10.5% and long-term growth rate of 3%, the recoverable amount exceeded the total carrying value by £37,039,000. The directors performed a sensitivity analysis on the total carrying value of this CGU. For the recoverable amount to fall to the carrying value, the discount rate would need to be increased to 14.2% or the long-term profitability would need to decline by 4% per year.

The cumulative goodwill written off to the income statement by the Group is £17,943,000 (2017: £17,943,000) and arises mainly from the purchase of Business International in 1988 and Roll Call, Inc in 1992 and 1993.

Other intangible assets

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

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

NOTE 13 Deferred income tax

	2018 £000	2017 £000
Deferred income tax assets	7,059	9,753
Deferred income tax liabilities	(8,319)	(11,419)
	(1,260)	(1,666)

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

Deferred income tax assets and liabilities may be offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. At March 31st 2018, the Group had unrecognised deferred income tax assets of £71,000 (2017: £75,000) in respect of trading losses.

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

The movement on the deferred income tax account is as follows:

	2018 £000	2017 £000
At April 1st	(1,666)	(2,433)
Exchange differences	876	(817)
Charge to the income statement	(1,854)	(2,713)
Acquisition through business combination	-	(6)
(Charge)/credit to other comprehensive income	(1,553)	4,284
Effect of change in tax rates	2,937	19
At March 31st	(1,260)	(1,666)

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

Deferred income tax assets	Trading losses £000	Retirement benefit obligations £000	Other £000	Total £000
At April 1st 2016	327	2,110	3,496	5,933
Exchange differences	40	-	47	87
Acquisition through business combination	-	-	(6)	(6)
Charge to income statement	(63)	(202)	(235)	(500)
Credit to other comprehensive income	-	4,283	1	4,284
Other transfers	5	-	(31)	(26)
Effect of change in tax rates	-	(106)	87	(19)
At March 31st 2017	309	6,085	3,359	9,753
Exchange differences	(29)	-	(791)	(820)
(Charge)/credit to income statement	(184)	(117)	1,042	741
Charge to other comprehensive income	-	(1,553)	-	(1,553)
Effect of change in tax rates	(2)	12	(1,072)	(1,062)
At March 31st 2018	94	4,427	2,538	7,059

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

NOTE 13 Deferred income tax (continued)

Deferred income tax liabilities	Goodwill and intangibles £000	Other £000	Total £000
At April 1st 2016	(7,374)	(992)	(8,366)
Exchange differences	(796)	(108)	(904)
(Charge)/credit to income statement	(3,157)	982	(2,175)
Other transfers	-	26	26
At March 31st 2017	(11,327)	(92)	(11,419)
Exchange differences	1,682	14	1,696
Charge to income statement	(2,572)	(23)	(2,595)
Effect of change in tax rates	3,967	32	3,999
At March 31st 2018	(8,250)	(69)	(8,319)

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

Changes to the US main corporate income tax rate from 35% to 21% (effective for tax years beginning after December 31st 2017) were substantively enacted on December 22nd 2017. The relevant US deferred tax balances have been remeasured to the rate which is expected to apply to the period when the assets are realised and the liabilities are settled, based on the tax rates substantively enacted by the balance-sheet date. The effect of the change in US tax rates is to reduce the deferred tax liability by £2,890,000.

Changes to the UK main corporation tax rate from 20% (effective on April 1st 2017) to 17% (effective from April 1st 2020) were substantively enacted on September 15th 2016. The relevant UK deferred tax balances have been remeasured to the rate which is expected to apply to the period when the assets are realised and the liabilities are settled, based on the tax rates substantively enacted by the balance-sheet date.

No deferred tax liability is recognised on temporary differences of £1,815,000 (2017: £1,346,000) relating to the unremitted earnings of certain overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the forseeable future. The temporary differences at March 31st 2018 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may result in a tax liability as a result of taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

NOTE 14 Other financial assets

	2018 £000	2017 £000
At April 1st	100	2,706
Additions	-	100
Redemption of loan notes	-	(2,665)
Exchange differences	-	(41)
At March 31st	100	100

Included as	2018 £000	2017 £000
Current assets	-	-
Non-current assets	100	100
	100	100

Other financial assets comprise a 5% equity interest in Parable Ventures Limited, a start-up virtual reality business.

NOTE 15 Inventories

	2018 £000	2017 £000
Raw materials	390	467
Work-in-progress	489	962
Finished goods	27	89
	906	1,518

No inventories are pledged as security.

The cost of inventory recognised as an expense in the year is £8,657,000 (2017: £9,302,000).

NOTE 16 Trade and other receivables

Current	2018 £000	2017 £000
Trade receivables	41,643	40,907
Other receivables	5,368	3,321
Prepayments and accrued income	19,532	19,706
	66,543	63,934

Trade receivables are stated at fair value, net of provisions for bad and doubtful debts and anticipated future sales returns.

The movements on the provision for bad and doubtful debts are as follows:

	2018 £000	2017 £000
At April 1st	1,164	1,020
Income statement movements	767	1,004
Utilised	(1,071)	(876)
Exchange differences	(5)	16
At March 31st	855	1,164

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The ageing of the Group's trade receivables which are not impaired is as follows	2018 £000	2017 £000
Within the due date	25,733	26,463
Past due less than a month	9,532	8,495
Past due more than a month but less than two months	6,002	4,956
Past due more than two months but less than three months	2,575	2,822
Past due more than three months	1,397	1,580
Total trade receivables	45,239	44,316
Less: provision for sales returns	(3,596)	(3,409)
Net trade receivables	41,643	40,907

The Group has not provided for these trade receivables as there has been no significant change in their credit quality and the amounts are still considered recoverable. These relate to a number of independent customers for whom there is no recent history of default.

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

NOTE 17 Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	10,983	14,810
Short-term bank deposits	1,237	7,747
	12,220	22,557

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

At the end of the year, the currency split of cash and cash equivalents was US dollar 58% (2017: 62%), sterling 10% (2017: 7%), euro 3% (2017: 7%) and other 29% (2017: 24%).

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

NOTE 18 Trade and other liabilities

	2018	2017
Current	£000	£000
Trade payables	16,212	17,378
Social security and other taxes	2,234	1,610
Accruals	22,057	18,321
Liability for share-based payments	2,982	1,259
Deferred income	102,001	110,508
Other liabilities	3,544	3,104
	149,030	152,180
Non-current		
Liability for share-based payments	1,200	2,880
Deferred income	12,434	14,431
	13,634	17,311
Total	162,644	169,491

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

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

NOTE 19 Financial liabilities - borrowings

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

	2018 £000	2017 £000
Non-current		
8.53% loan note 2019-20 (nominal amount $4,166,667)	2,956	6,666
8.32% loan note 2019-20 (nominal amount $10,000,000)	7,095	15,978
5.89% loan note 2022-23 (nominal amount $14,500,000)	10,289	11,596
5.75% loan note 2023-24 (nominal amount $14,166,667)	10,078	11,372
Bank loans	70,659	70,522
	101,077	116,134
Current - due within one year or on-demand		
8.53% loan note 2019-20 (nominal amount $4,166,667)	2,932	3,312
8.32% loan note 2019-20 (nominal amount $10,000,000)	7,057	7,970
Bank loans	16,000	-
Bank overdraft	1,267	-
	27,256	11,282
Total borrowings	128,333	127,416

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

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

	2018 £000	2017 £000
Between one and two years	10,051	11,282
Between two and five years	80,948	81,884
Over five years	10,078	22,968
	101,077	116,134

NOTE 19 Financial liabilities - borrowings (continued)

		2018		2017	
	Effective interest rate %	Carrying value £000	Market value £000	Carrying value £000	Market value £000
8.53% loan note 2019-20 (nominal amount $8,333,334)	8.53	5,888	5,928	9,978	10,034
8.32% loan note 2019-20 (nominal amount $20,000,000)	8.32	14,152	14,228	23,948	24,081
5.89% loan note 2022-23 (nominal amount $14,500,000)	5.89	10,289	10,315	11,596	11,639
5.75% loan note 2023-24 (nominal amount $14,166,667)	5.75	10,078	10,078	11,372	11,372
Bank loans and overdrafts	n/a	87,926	88,267	70,522	71,000
		128,333	128,816	127,416	128,126

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

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

	2018 £000	2017 £000
US dollar	40,407	56,894
Sterling	87,926	70,522
	128,333	127,416

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

	2018 £000	2017 £000
Floating rate - expiring beyond one year	51,733	49,000

NOTE 20 Retirement benefit and other post-retirement obligations

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

	2018 £000	2017 £000
UK Group scheme	23,701	33,281
Unfunded retirement benefit scheme	234	245
Post-retirement medical benefits	2,113	2,271
	26,048	35,797

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

The most recent full actuarial valuation of the UK Group scheme was at January 1st 2016. This showed the market value of assets of the main UK scheme to be £281,458,000. The actuarial valuation of pension liabilities was £301,612,000, leaving a deficit of £20,154,000. The actuarial method used for the valuation was the projected unit method. The foregoing liabilities represent the Scheme Specific Funding (SSF) Technical Provisions as agreed by the Group and the trustees. The SSF level was 93%. The January 2016 valuation was used as a basis for determining the ongoing company funding rate, effective October 1st 2016.

The Group agreed that the funding shortfall will be eliminated by May 31st 2020. Following the completion of the actuarial valuation, the Group has agreed to contribute £2,100,000 per annum until May 2020 in excess of regular contributions. In addition, a mechanism has been agreed for the Group to make supplementary payments if actual salary increases during the funding term cause a further strain on the deficit. In the year ended March 31st 2018, the Group contributed £2,100,000 (2017: £5,745,000) towards the funding shortfall. Regular contributions to the scheme are estimated to be £2,160,000 for 2018-19.

The main overseas schemes and one UK scheme are based on defined contributions; amounts totalling £388,000 (2017: £466,000) were accrued in respect of these schemes at the year-end.

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

NOTE 20 Retirement benefit and other post-retirement obligations (continued)

UK Group scheme

The valuation of the UK Group scheme has been updated by independent actuaries to March 31st 2018. The major assumptions used to determine this valuation are as follows:

	2018 %	2017 %
Inflation	3.10	3.35
Increase in pensionable salaries	3.10	3.35
Increase in pensions in payment	3.00	3.20
Increase in deferred pensions	2.50	2.75
Discount rate for scheme liabilities	2.70	2.70

The discount rate is derived from the corporate bond yield curve applied to the expected future cashflows from the scheme. The inflation rate has been calculated with reference to the inflation spot yield curve applied to the expected future cashflows from the scheme. The expected rate of increase in salaries has been set at 3.1% in 2018.

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 S2PXA light tables with longevity projection based on CMI 2017 and the year in which the member was born, with a 1% per-year underpin to future improvements (2017: S2PXA light tables, CMI 2016, year of birth, 1% underpin).

	2018 years	2017 years
Longevity at age 65 for current retirees		
- Men	87.9	88.0
- Women	88.9	89.0
Longevity at age 65 for future retirees, current age 45		
- Men	88.9	89.0
- Women	90.1	90.2

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

	2018 £000	2017 £000
Equities	171,862	178,810
Government and corporate bonds	82,251	81,568
Property	48,151	43,924
Multi-asset credit fund	36,422	25,202
Other	1,122	4,677
Fair value of scheme assets	339,808	334,181
Present value of scheme liabilities	(363,509)	(367,462)
Deficit in the scheme	(23,701)	(33,281)

NOTE 20 Retirement benefit and other post-retirement obligations (continued)

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

	2018		2017	
	Quoted market price £000	No quoted market price £000	Quoted market price £000	No quoted market price £000
UK equities	85,136	-	83,760	-
Non-UK equities	85,727	-	93,286	-
Private equity	-	999	-	1,764
UK corporate bonds	24,985	-	24,875	-
Index-linked securities	57,266	-	56,693	-
Multi-asset credit fund	36,422	-	25,202	-
Property	-	48,151	-	43,924
Other	730	392	4,226	451
	290,266	49,542	288,042	46,139

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

	2018 £000	2017 £000
Liquid - call less than 1 month	271,802	279,635
Less liquid - call 1-3 months	54,421	41,589
Liquid - call greater than 3 months	15,432	15,138

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

The assets do not include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group. The actual return on scheme assets was £10,151,000 (2017: £55,429,000).

Fair value of scheme assets	2018 £000	2017 £000
At April 1st	334,181	281,394
Interest income	8,961	10,556
Return on scheme assets excluding interest income	1,190	44,873
Employee contributions	401	426
Employer contributions	4,301	7,815
Administration expenses	(296)	(280)
Payments from the scheme	(8,930)	(10,603)
At March 31st	339,808	334,181

NOTE 20 Retirement benefit and other post-retirement obligations (continued)

Present value of scheme liabilities	2018 £000	2017 £000
At April 1st	367,462	290,822
Current service cost	2,627	2,372
Interest expense	9,802	10,711
Losses/(gains) from experience	10,001	(4,162)
(Gains)/losses from changes in financial assumptions	(17,854)	77,896
Employee contributions	401	426
Payments from the scheme - benefit payments	(8,930)	(10,603)
At March 31st	363,509	367,462

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

Sensitivity analysis of scheme liabilities

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

	Change in assumption by %	Impact on scheme liabilities %
Inflation	0.5	8.5
Pensionable salaries	0.5	1.5
Pensions in payment	0.5	7.5
Revaluation rate of deferred pensions	0.5	1.5
Discount rate	0.5	9.5

If the average expected age of death of pensioners lengthened by one year, the liabilities of the scheme would increase by 4.0% (2017: 4.0%).

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

Unfunded retirement benefit scheme (URBS)

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

Assumptions	2018 %	2017 %
Increase in pensions in payment	3.00	3.20
Increase in deferred pensions	2.50	2.75
Discount rate for scheme liabilities	2.70	2.70

NOTE 20 Retirement benefit and other post-retirement obligations (continued)

Present value of scheme liabilities	2018 £000	2017 £000
At April 1st	245	214
Interest expense	6	8
Losses/(gains) from experience	2	(1)
(Gains)/losses from changes in financial assumptions	(5)	39
Gains from changes in demographic assumptions	(2)	(6)
Payments from the scheme - benefit payments	(12)	(9)
At March 31st	234	245

Post-retirement medical benefit scheme (PRMB)

The Group provides post-retirement medical benefits to certain former employees. At March 31st 2018, 39 retired and former employees (2017: 45) were eligible to receive benefits. The liability was remeasured at the year-end by a qualified independent actuary as follows:

Assumptions	2018 %	2017 %
Healthcare premium inflation	5.10	5.35
Discount rate for scheme liabilities	2.70	2.70

Present value of scheme liabilities	2018 £000	2017 £000
At April 1st	2,271	2,085
Employer contributions	(130)	(146)
Interest expense	59	75
Losses from experience	1	22
(Gains)/losses from changes in financial assumptions	(48)	269
Gains from changes in demographic assumptions	(40)	(34)
At March 31st	2,113	2,271

NOTE 20 Retirement benefit and other post-retirement obligations (continued)

Income statement

The amounts recognised in the income statement are as follows:

2018

	UK Group scheme £000	URBS £000	PRMB £000	Defined contribution £000	Total £000
Current service cost	2,627	-	-	5,157	7,784
Administration expenses	296	-	-	-	296
Total operating expense	2,923	-	-	5,157	8,080
Interest on scheme assets	(8,961)	-	-	-	(8,961)
Interest on scheme liabilities	9,802	6	59	-	9,867
Net finance expense	841	6	59	-	906
Net income statement charge	3,764	6	59	5,157	8,986

2017

	UK Group scheme £000	URBS £000	PRMB £000	Defined contribution £000	Total £000
Current service cost	2,372	-	-	4,199	6,571
Administration expenses	280	-	-	-	280
Total operating expense	2,652	-	-	4,199	6,851
Interest on scheme assets	(10,556)	-	-	-	(10,556)
Interest on scheme liabilities	10,711	8	75	-	10,794
Net finance expense	155	8	75	-	238
Net income statement charge	2,807	8	75	4,199	7,089

Other comprehensive income

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

	2018 £000	2017 £000
UK Group scheme	9,043	(28,861)
Unfunded retirement benefit scheme	5	(32)
Post-retirement medical benefits	87	(257)
Total gains/(losses) recognised in year	9,135	(29,150)

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

NOTE 20 Retirement benefit and other post-retirement obligations (continued)

Asset volatility

The scheme holds growth assets, whose returns may not be well correlated with the movement of the liabilities. As such, the deficit in the scheme may increase as a result of asset volatility. To mitigate this risk, the trustees continually monitor the scheme's investment strategy and have a dynamic de-risking plan in force. This policy reduces the level of growth assets held as scheme funding improves (subject to a minimum switch every six months). The current target allocation is 39% risk-reducing assets and 61% growth assets.

Inflation risk

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

Longevity risk

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

Changes in bond yields

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

Salary risk

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

NOTE 21 Provisions

	Contingent consideration £000	Property lease £000	Total £000
At April 1st 2017	2,844	861	3,705
Provision in the year	942	-	942
Utilised in the year	-	(784)	(784)
Exchange differences	-	(77)	(77)
At March 31st 2018	3,786	-	3,786

Analysis of provisions	2018 £000	2017 £000
Current	3,786	861
Non-current	-	2,844
	3,786	3,705

Contingent consideration relates to the acquisition of Signal & Noise Limited in 2017 and is payable in 2018-19 if the business achieves profit targets. The range of payouts on contingent consideration is between £nil and £7,000,000. The amount provided is discounted and reflects management's assessment of the most likely outcome.

NOTE 22 Derivative financial instruments

	2018		
Forward foreign US dollar exchange contracts - current	Gross notional amounts £000	Assets £000	Liabilities £000
In a fair value hedge relationship	36,928	1,796	-
	36,928	1,796	-

	2017		
Forward foreign US dollar exchange contracts - current	Gross notional amounts £000	Assets £000	Liabilities £000
In a fair value hedge relationship	35,572	332	(1,433)
	35,572	332	(1,433)

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

The Group's portfolio of exchange contract derivatives includes foreign-exchange forwards and is diversified by maturity and counterparty. The Group has designated these forwards as hedges which reduces the risk of volatility in the income statement from movements in the US dollar. Counterparty exposure from all derivatives is managed, together with that from deposits and bank-account balances, within credit limits that reflect published credit ratings to ensure that there is no significant risk to any one counterparty. No significant derivative transaction had a market value (positive or negative) at the balance-sheet date that exceeded 3% of the Group's consolidated total equity.

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

NOTE 23 Classification of financial instruments

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

2018

NOTE		Fair value: Derivatives deemed held for trading £000	Fair value: Derivatives in hedging relationships £000	Amortised cost: Loans and receivables £000	Amortised cost: Other liabilities £000	Total carrying value £000	Total market value £000
14	Investments	-	-	100	-	100	100
17	Cash and cash equivalents	-	-	12,220	-	12,220	12,220
16	Trade receivables	-	-	41,643	-	41,643	41,643
22	Derivative financial instruments	-	1,796	-	-	1,796	1,796
	Total financial assets	-	1,796	53,963	-	55,759	55,759
18	Trade payables	-	-	-	(16,212)	(16,212)	(16,212)
21	Contingent consideration	-	-	-	(3,786)	(3,786)	(3,786)
19	Bank loans and overdrafts	-	-	-	(87,926)	(87,926)	(88,267)
19	Borrowings due within one year	-	-	-	(9,989)	(9,989)	(10,078)
19	Borrowings due after more than one year	-	-	-	(30,418)	(30,418)	(30,471)
	Total financial liabilities	-	-	-	(148,331)	(148,331)	(148,814)

2017

NOTE		Fair value: Derivatives deemed held for trading £000	Fair value: Derivatives in hedging relationships £000	Amortised cost: Loans and receivables £000	Amortised cost: Other liabilities £000	Total carrying value £000	Total market value £000
14	Investments	-	-	100	-	100	100
17	Cash and cash equivalents	-	-	22,557	-	22,557	22,557
16	Trade receivables	-	-	40,907	-	40,907	40,907
	Total financial assets	-	-	63,564	-	63,564	63,564
22	Derivative financial instruments	-	(1,101)	-	-	(1,101)	(1,101)
18	Trade payables	-	-	-	(17,378)	(17,378)	(17,378)
21	Contingent consideration	-	-	-	(2,844)	(2,844)	(2,844)
19	Bank loans and overdrafts	-	-	-	(70,522)	(70,522)	(71,000)
19	Borrowings due within one year	-	-	-	(11,282)	(11,282)	(11,372)
19	Borrowings due after more than one year	-	-	-	(45,612)	(45,612)	(45,754)
	Total financial liabilities	-	(1,101)	-	(147,638)	(148,739)	(149,449)

Transactions in derivative financial instruments are only undertaken to manage risks arising from underlying business activity, in accordance with the Group's treasury policy as described in note 24.

NOTE 23 Classification of financial instruments (continued)

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

The Group also designates certain of its borrowings as hedges of its investments in foreign operations (net investment hedges). Movements in the fair value of these financial instruments (to the extent they are effective) are recognised in other comprehensive income.

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

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

NOTE 24 Financial risk management

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

Treasury policy

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

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

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

Interest rate risk management

The Group's borrowings are in both sterling and US dollars. The Group's interest rate on its sterling borrowings is tied to LIBOR whereas the interest rate on its US dollar borrowings is fixed. The Group's exposure to interest rate fluctuations on its borrowings is managed by borrowing on a fixed-rate basis and by hedging interest rate exposures where appropriate. At March 31st 2018, there was no active hedging of interest rate exposures (2017: none).

NOTE 24 Financial risk management (continued)

Liquidity and refinancing risk management

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

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

				2018
	GBP	USD	Other	Total
	£000	£000	£000	£000
Not later than one year	3,584	(51,312)	(2,213)	(49,941)
Later than one year and not later than five years	(73,343)	(24,922)	-	(98,265)
Later than five years	-	(10,223)	-	(10,223)
	(69,759)	(86,457)	(2,213)	(158,429)
Analysed as:				
Derivative financial instruments - inflows	36,928	-	-	36,928
Derivative financial instruments - outflows	-	(35,132)	-	(35,132)
Contingent consideration	(3,982)	-	-	(3,982)
Trade payables	(10,267)	(3,732)	(2,213)	(16,212)
Bank loans and overdrafts	(92,438)	-	-	(92,438)
Borrowings	-	(47,593)	-	(47,593)
	(69,759)	(86,457)	(2,213)	(158,429)

				2017
	GBP	USD	Other	Total
	£000	£000	£000	£000
Not later than one year	25,453	(57,205)	(2,754)	(34,506)
Later than one year and not later than five years	(77,780)	(28,610)	-	(106,390)
Later than five years	-	(23,828)	-	(23,828)
	(52,327)	(109,643)	(2,754)	(164,724)
Analysed as:				
Derivative financial instruments - inflows	35,572	-	-	35,572
Derivative financial instruments - outflows	-	(36,673)	-	(36,673)
Contingent consideration	(3,278)	-	-	(3,278)
Trade payables	(8,718)	(5,906)	(2,754)	(17,378)
Bank loans and overdrafts	(75,903)	-	-	(75,903)
Borrowings	-	(67,064)	-	(67,064)
	(52,327)	(109,643)	(2,754)	(164,724)

NOTE 24 Financial risk management (continued)

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

				2018
	GBP	USD	Other	Total
	£000	£000	£000	£000
Not later than one year	13,448	30,572	9,843	53,863
Later than one year and not later than five years	100	-	-	100
	13,548	30,572	9,843	53,963
Analysed as:				
Other financial assets	100	-	-	100
Cash and cash equivalents	1,172	7,106	3,942	12,220
Trade receivables	12,276	23,466	5,901	41,643
	13,548	30,572	9,843	53,963

				2017
	GBP	USD	Other	Total
	£000	£000	£000	£000
Not later than one year	11,135	39,659	12,670	63,464
Later than one year and not later than five years	100	-	-	100
	11,235	39,659	12,670	63,564
Analysed as:				
Other financial assets	100	-	-	100
Cash and cash equivalents	1,635	13,951	6,971	22,557
Trade receivables	9,500	25,708	5,699	40,907
	11,235	39,659	12,670	63,564

The Group's debt facilities require it to meet certain covenants based on interest cover, net debt and profits adjusted for certain non-cash items and the impact of foreign exchange. Breaching the covenants would result in the Group being in default of the facilities, potentially resulting in the facilities being withdrawn. Management regularly monitors the covenants and prepares detailed cashflow forecasts to ensure that sufficient headroom is available and that the covenants are not close or potentially close to breach. At March 31st 2018, the Group's net debt to EBITDA was 2.2 times or 2.1 times before exceptional items.

The Group also maintains undrawn committed borrowing facilities. At March 31st 2018, the committed undrawn facilities amounted to £51,733,000 (2017: £49,000,000) and their weighted average maturity was 21 months.

Financial counterparty risk management

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

NOTE 24 Financial risk management (continued)

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

Foreign currency risk management

The Group's principal foreign-exchange exposure is to the US dollar. The Group generates approximately 64% of its revenues in US dollars, including approximately 34% of the revenues of its UK-based businesses, and approximately 57% of its operating profits are US dollar-denominated. The Group is therefore exposed to foreign-exchange risk on the US dollar incomes in its UK businesses, the translation of results of foreign subsidiaries and external loans as well as loans to and from foreign operations within the Group where the denomination of the loan is not in the functional currency of the lender/borrower.

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

	Assets		Liabilities	
	2018	2017	2018	2017
	£000	£000	£000	£000
US dollar	33,123	39,659	(42,809)	(64,278)

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

Cashflow hedges - maturing in less than one year	2018	2017
Average exchange rate	$1.34	$1.31
Foreign currency ($000)	49,686	47,416
Contract value (£000)	36,928	35,572
Fair value (£000)	1,796	(1,101)

As at March 31st 2018, the aggregate amount of unrealised gains under forward foreign-exchange contracts deferred in the fair value reserve relating to future income transactions is £1,796,000 (2017: unrealised losses of £1,101,000). It is anticipated that the transactions will take place over the next 12 months at which stage the amount deferred in equity will be released to the income statement. Prior year losses of £1,101,000 were recycled from other comprehensive income into the income statement during the year (2017: £1,104,000). There were no ineffective cashflow hedges in place at the year-end. In prior years, before the adoption of IFRS, the Group did not apply hedge accounting so no amounts were deferred in equity.

The Group has significant investments in overseas operations. The Group seeks to create a natural hedge of its exposure to US dollar-denominated overseas net assets through its policy of aligning the currency composition of its UK-based US dollar assets and liabilities. Included within year-end net debt, the net borrowings in US dollars were £33,301,000 (2017: £42,943,000).

NOTE 24 Financial risk management (continued)

Fair value of financial instruments

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

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

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

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

As at March 31st 2018 and the prior years, all the resulting fair value estimates have been included in level 2 apart from contingent consideration which is classified as level 3.

Capital risk management

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

The capital structure of the Group consists of debt, which includes cash deposits (note 17), borrowings (note 19) and equity attributable to equity shareholders comprising share capital, reserves and retained earnings as disclosed in the statement of changes in equity.

Other financial instruments not recorded at fair value

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

NOTE 24 Financial risk management (continued)

Financial instruments - sensitivity analysis

As at March 31st 2018, the sensitivity of the carrying value of the Group's financial instruments to fluctuations in interest rates and exchange rates is as follows:

		Impact of 1%		Impact of 10%	
	Carrying value £000	increase in interest rates £000	decrease in interest rates £000	stronger US dollar £000	weaker US dollar £000
Investments	100	-	-	-	-
Cash and cash equivalents	12,220	-	-	790	(646)
Other net financial assets	25,431	-	-	1,609	(1,316)
Derivative financial instruments	1,796	-	-	(3,927)	3,213
Contingent consideration	(3,786)	19	(16)	-	-
Bank loans and overdrafts	(87,926)	-	-	-	-
Borrowings	(40,407)	-	-	(4,490)	3,673
	(92,572)	19	(16)	(6,018)	4,924

The table shows the sensitivities of fair values of each class of financial instruments to an isolated change in either interest or foreign-exchange rates. There is a minimal sensitivity to interest rates because the Group pays its bank loan interest in March, prior to the year-end. Borrowings are at fixed interest rates. Other net financial assets comprise trade receivables less trade payables.

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

NOTE 25 Share capital

	No. of shares	Share capital £000
At March 31st 2018 and 2017	25,200,000	1,260

	March 31st 2018 and 2017	
Issued, fully paid shares	Number	£000
"A" special shares of 5p each	1,260,000	63
"B" special shares of 5p each	1,260,000	63
Ordinary shares of 5p each	22,680,000	1,134
Trust shares of 5p each	100	-
	25,200,100	1,260

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

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

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

NOTE 26 Employee Share Ownership Plan (ESOP)

	No. of shares	£000
At April 1st 2016	199,505	2,480
Purchase of ESOP shares	26,773	861
Sale of ESOP shares	(13,641)	(438)
At March 31st 2017	212,637	2,903
Purchase of ESOP shares	26,950	815
Sale of ESOP shares	(19,590)	(602)
At March 31st 2018	219,997	3,116

The nominal value of the ESOP shares, which have a par value of 5p each, amounted to £11,000 (2017: £10,632). 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 2018, 202,750 (2017: 199,000) of the shares are under option to employees and have been conditionally granted to them.

NOTE 27 Treasury shares

	No. of shares	£000
At March 31st 2018 and 2017	5,040,000	188,823

The treasury shares have a par value of 5p per share and their nominal value amounts to £252,000 (2017: £252,000). These shares do not carry any voting rights or rights to dividends. The shares represent 20% of called-up share capital (2017: 20%).

NOTE 28 Financial commitments

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

Land and buildings, plant and equipment, leases expiring	2018 £000	2017 £000
Within one year	11,303	13,290
Between two and five years	38,041	38,684
After five years	23,839	30,676
	73,183	82,650

At March 31st 2018, there was £960,000 capital expenditure contracted for but not provided in the financial statements (2017: £5,617,000).

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

NOTE 29 Related party transactions

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

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

The key management personnel are deemed to be the members of the company's Board and the Group executive team (see pages 16–18). Key management compensation paid or payable, including the value of awards made under the restricted share scheme, is set out below:

	2018 £000	2017 £000
Salaries and short-term employment benefits	5,551	5,004
Retirement benefits	115	103
Share-based payment costs	1,767	2,127
	7,433	7,234
Of which:		
Executive directors	1,779	1,646
Non-executive directors	377	406
Other Group management committee executives	5,277	5,182
	7,433	7,234

The directors who served during the year received dividends of £232,000 (2017: £228,000) in respect of shares held in the company.

NOTE 30 Events after the balance-sheet date

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

NOTE 31 Acquisitions

Prior year acquisition of Signal & Noise Limited

On October 17th 2016, the Group acquired Signal & Noise Limited ("Signal Noise"), a UK data design agency. The acquisition comprised 100% of the equity share capital of Signal Noise. The following table sets out the fair values of the identifiable assets and liabilities acquired by the Group:

	2017 £000
Property, plant and equipment	36
Intangible assets	1,052
Trade and other receivables	372
Cash and cash equivalents	438
Trade and other liabilities	(535)
Current income tax liabilities	(70)
Net assets acquired at fair value	1,293
Goodwill	3,919
Total	5,212
Satisfied by:	
Cash	1,813
Working capital adjustment	(40)
Contingent consideration	3,439
Total consideration	5,212

The goodwill arising on this acquisition results from revenue and cost synergies and from assets and benefits that cannot be separately recognised. The initial estimate of contingent consideration payable was reassessed 12 months after the date of acquisition, resulting in an increase in the value of goodwill and contingent consideration of £705,000 in the year.

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

	Contingent consideration	
	2018 £000	2017 £000
At April 1st	2,844	5,704
Provision during the year	705	2,734
Net movement in finance expense during the year (note 6)	237	685
Release to income statement during the year	-	(7,163)
Exchange differences	-	884
At March 31st	3,786	2,844

Company balance sheet

NOTE	As at March 31st	2018 £000	2017 £000
5	Investments in subsidiaries	552,077	552,077
6	Intangible assets	14,346	10,517
7	Property, plant and equipment	8,666	4,405
	Amounts due from subsidiaries	136,292	193,359
8	Deferred income tax assets	3,581	4,678
	Non-current assets	**714,962**	**765,036**
	Amounts due from subsidiaries	26,144	23,735
9	Inventories	419	816
10	Trade and other receivables	21,770	19,244
15	Financial assets - derivative financial instruments	1,796	-
	Current income tax assets	1,073	1,430
11	Cash and cash equivalents	2,068	8,922
	Current assets	**53,270**	**54,147**
	Total assets	**768,232**	**819,183**
	Amounts due to subsidiaries	(94,864)	(107,040)
12	Trade and other liabilities	(5,143)	(6,724)
13	Retirement benefit obligations	(20,839)	(28,767)
14	Financial liabilities - borrowings	(101,077)	(116,134)
	Other liabilities	(3,050)	(1,530)
	Non-current liabilities	**(224,973)**	**(260,195)**
	Amounts due to subsidiaries	(149,714)	(199,201)
12	Trade and other liabilities	(55,546)	(49,049)
14	Financial liabilities - borrowings	(27,256)	(11,282)
15	Financial liabilities - derivative financial instruments	-	(1,101)
	Other liabilities	(321)	(321)
	Current liabilities	**(232,837)**	**(260,954)**
	Total liabilities	**(457,810)**	**(521,149)**
	Net assets	**310,422**	**298,034**
16	Share capital	1,260	1,260
17	ESOP shares	(3,116)	(2,903)
18	Treasury shares	(188,823)	(188,823)
	Translation reserve	(2,244)	(5,262)
	Retained earnings	503,345	493,762
	Total equity	**310,422**	**298,034**

The profit for the year is £39,642,000.

These financial statements were approved by the board of directors and authorised for issue on June 19th 2018. They were signed on its behalf by:

Rupert Pennant-Rea
Chris Stibbs
Directors

The Economist Newspaper Limited registered number 236383

Company statement of changes in equity

NOTE	Year ended March 31st 2018	Equity attributable to equity holders of the company						
		Share capital £000	ESOP shares £000	Treasury shares £000	Translation reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
	At April 1st 2017	**1,260**	**(2,903)**	**(188,823)**	**(5,262)**	**-**	**493,762**	**298,034**
	Profit for the year	-	-	-	-	-	39,642	39,642
	Other comprehensive income	-	-	-	3,018	-	6,062	9,080
	Total comprehensive income	-	-	-	3,018	-	45,704	48,722
17	Net purchase of own shares	-	(213)	-	-	-	-	(213)
	Dividends	-	-	-	-	-	(36,121)	(36,121)
	At March 31st 2018	**1,260**	**(3,116)**	**(188,823)**	**(2,244)**	**-**	**503,345**	**310,422**

NOTE	Year ended March 31st 2017	Equity attributable to equity holders of the company						
		Share capital £000	ESOP shares £000	Treasury shares £000	Translation reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
	At April 1st 2016	**1,260**	**(2,480)**	**(188,823)**	**(5,288)**	**268,799**	**271,088**	**344,556**
	Profit for the year	-	-	-	-	-	11,888	11,888
	Other comprehensive expense	-	-	-	26	-	(19,453)	(19,427)
	Total comprehensive expense	-	-	-	26	-	(7,565)	(7,539)
	Capital reduction	-	-	-	-	(268,799)	268,799	-
17	Net purchase of own shares	-	(423)	-	-	-	-	(423)
	Dividends	-	-	-	-	-	(38,560)	(38,560)
	At March 31st 2017	**1,260**	**(2,903)**	**(188,823)**	**(5,262)**	**-**	**493,762**	**298,034**

Notes to the company financial statements

NOTE 1 Accounting policies

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

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

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

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

Investments

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

NOTE 2 Auditor’s remuneration

During the year the company obtained the following services from the company’s auditor	2018 £000	2017 £000
The audit of the company's financial statements	225	169
Other assurance services	-	116
Tax compliance services	50	25
Tax advisory services	-	43
Other services	-	66
Total non-audit services	50	250
Total company auditor’s remuneration	275	419

NOTE 3 Employee information

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

	2018		2017	
	Monthly average	Year-end	Monthly average	Year-end
Total employees	483	499	448	472

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

NOTE 4 Share-based payments

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

	2018 £000	2017 £000
Restricted share scheme (cash or share settled)	1,810	1,405

The total carrying value of share-based payment transactions is	2018 £000	2017 £000
Restricted share scheme (cash or share settled)	2,944	2,827

Analysed as	2018 £000	2017 £000
Current liabilities	2,070	759
Non-current liabilities	874	2,068
	2,944	2,827

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

	2018		2017	
Restricted share scheme	No. of options	Weighted average share price (£)	No. of options	Weighted average share price (£)
Outstanding at April 1st	134,000	33.36	108,250	34.84
Granted during the year	58,500	29.95	52,000	32.55
Forfeited during the year	-	-	(5,500)	(34.36)
Exercised during the year	(43,500)	(34.17)	(20,750)	(36.65)
Outstanding at March 31st	149,000	31.21	134,000	33.36
Options exercisable at March 31st	31,000	31.90	19,750	33.77

The weighted average remaining contractual life for outstanding options at March 31st 2018 was 17 months (2017: 18 months).

NOTE 5 Investments in subsidiaries

	2018 £000	2017 £000
At April 1st	552,077	552,077
Additions	-	552,077
Disposals	-	(552,077)
At March 31st	552,077	552,077

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

NOTE 6 Intangible assets

Cost	Licences and software £000	Intangible assets in development £000	Total £000
At April 1st 2016	5,100	3,132	8,232
Additions	2,364	4,730	7,094
Transfer	958	(958)	-
At March 31st 2017	8,422	6,904	15,326
Additions	2,812	3,016	5,828
Transfer	583	(583)	-
At March 31st 2018	11,817	9,337	21,154

Amortisation	Licences and software £000	Intangible assets in development £000	Total £000
At April 1st 2016	3,623	-	3,623
Charge for the year	1,186	-	1,186
At March 31st 2017	4,809	-	4,809
Charge for the year	1,999	-	1,999
At March 31st 2018	6,808	-	6,808
Carrying amounts			
At April 1st 2016	1,477	3,132	4,609
At March 31st 2017	3,613	6,904	10,517
At March 31st 2018	5,009	9,337	14,346

NOTE 7 Property, plant and equipment

Cost	Leasehold buildings: short £000	Plant and machinery £000	Equipment £000	Total £000
At April 1st 2016	2,936	974	20,014	23,924
Additions	13	-	424	437
Disposals	-	-	(110)	(110)
At March 31st 2017	2,949	974	20,328	24,251
Additions	4,223	-	1,445	5,668
Disposals	-	(47)	(1,483)	(1,530)
At March 31st 2018	7,172	927	20,290	28,389

Depreciation	Leasehold buildings: short £000	Plant and machinery £000	Equipment £000	Total £000
At April 1st 2016	624	974	17,227	18,825
Charge for the year	204	-	906	1,110
Disposals	-	-	(89)	(89)
At March 31st 2017	828	974	18,044	19,846
Charge for the year	375	-	1,032	1,407
Disposals	-	(47)	(1,483)	(1,530)
At March 31st 2018	1,203	927	17,593	19,723

Carrying amounts				
At April 1st 2016	2,312	-	2,787	5,099
At March 31st 2017	2,121	-	2,284	4,405
At March 31st 2018	5,969	-	2,697	8,666

NOTE 8 Deferred income tax assets

	2018 £000	2017 £000
Deferred income tax assets	3,581	4,678

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

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

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

The movement on the deferred income tax account is as follows	2018 £000	2017 £000
At April 1st	4,678	2,244
Credit/(charge) to the income statement	98	(806)
(Charge)/credit to other comprehensive income	(1,242)	3,320
Effect of change in tax rates	47	(80)
At March 31st	3,581	4,678

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

Deferred income tax assets	Retirement benefit obligations £000	Other £000	Total £000
At April 1st 2016	1,680	564	2,244
Charge to income statement	(18)	(788)	(806)
Credit to other comprehensive income	3,320	-	3,320
Effect of change in tax rates	(90)	10	(80)
At March 31st 2017	4,892	(214)	4,678
(Charge)/credit to income statement	(118)	216	98
Charge to other comprehensive income	(1,242)	-	(1,242)
Effect of change in tax rates	11	36	47
At March 31st 2018	3,543	38	3,581

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

Changes to the UK main corporation tax rate from 20% (effective on April 1st 2017) to 17% (effective from April 1st 2020) were substantively enacted on September 15th 2016. The relevant UK deferred tax balances have been remeasured to the rate which is expected to apply to the period when the assets are realised and the liabilities are settled, based on the tax rates substantively enacted by the balance-sheet date.

NOTE 9 Inventories

	2018 £000	2017 £000
Raw materials	392	466
Work-in-progress	1	323
Finished goods	26	27
	419	816

No inventories are pledged as security.

NOTE 10 Trade and other receivables

Current	2018 £000	2017 £000
Trade receivables	12,798	12,601
Other receivables	3,551	2,375
Prepayments and accrued income	5,421	4,268
	21,770	19,244

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

	2018 £000	2017 £000
At April 1st	736	594
Income statement movements	(318)	532
Utilised	3	(390)
At March 31st	421	736

The ageing of the company's trade receivables which are not impaired is as follows	2018 £000	2017 £000
Within the due date	10,726	7,945
Past due less than a month	2,723	3,389
Past due more than a month but less than two months	1,136	1,869
Past due more than two months but less than three months	444	1,105
Past due more than three months	(53)	407
Total trade receivables	14,976	14,715
Less: provision for sales returns	(2,178)	(2,114)
Net trade receivables	12,798	12,601

NOTE 11 Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	921	1,485
Short-term bank deposits	1,147	7,437
	2,068	8,922

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

NOTE 12 Trade and other liabilities

Current	2018 £000	2017 £000
Trade payables	10,964	9,355
Social security and other taxes	2,240	1,764
Accruals	10,339	7,579
Liability for share-based payments	2,070	759
Deferred income	28,242	28,535
Other liabilities	1,691	1,057
	55,546	49,049
Non-current		
Liability for share-based payments	874	2,068
Deferred income	4,269	4,656
	5,143	6,724
Total	60,689	55,773

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

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

NOTE 13 Retirement benefit and other post-retirement obligations

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

	2018 £000	2017 £000
UK Group scheme	19,196	26,957
Unfunded retirement benefit scheme	234	245
Post-retirement medical benefits	1,409	1,565
	20,839	28,767

The company is a member of The Economist Group Pension Scheme (UK Group Scheme) which provides funded defined benefits. Details about the assets and liabilities of the scheme, the major assumptions used by the actuaries to value the deficit, the funding of the deficit in the scheme and the risks the company is exposed to through the scheme are included in note 20 to the consolidated financial statements. The company accounts for its share of the underlying assets and liabilities of the scheme. The company's share of the total scheme deficit was assessed at 81% by an independent actuary. The calculation of the liability for the company is based on membership records of retirees, deferred and active members.

The company also operates a defined-contribution scheme.

In addition, the company provides unfunded, unapproved pension arrangements in respect of certain former employees. Details on the assumptions used and of the movement in the present value of scheme liabilities can be found in note 20 to the consolidated financial statements.

The company provides post-retirement medical benefits to certain former employees. At March 31st 2018, 26 retired and former employees (2017: 31) were eligible to receive benefits. The movement in the liability was as follows:

Present value of scheme liabilities	2018 £000	2017 £000
At April 1st	1,565	1,477
Employer contributions	(87)	(140)
Interest expense	39	52
Losses from experience	1	15
(Gains)/losses from changes in financial assumptions - financial	(80)	184
Gains from changes in financial assumptions - demographic	(29)	(23)
At March 31st	1,409	1,565

Further information on the assumptions used to calculate the liability are shown in note 20 to the consolidated financial statements.

NOTE 14 Borrowings

Details of the Group's borrowings, which are also those of the company, can be found in note 19 to the consolidated financial statements.

NOTE 15 Derivative financial instruments

Details of the Group's derivative financial instruments, which are also those of the company, can be found in note 22 to the consolidated financial statements.

NOTE 16 Share capital

Details of the company's share capital can be found in note 25 to the consolidated financial statements.

NOTE 17 Employee Share Ownership Plan (ESOP)

Details of the ESOP are presented in note 26 to the consolidated financial statements.

NOTE 18 Treasury shares

Note 27 to the consolidated financial statements provides information on the company's treasury shares.

NOTE 19 Financial commitments

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

Land and buildings, plant and equipment, leases expiring	2018 £000	2017 £000
Within one year	3,625	4,401
Between two and five years	13,075	13,617
After five years	17,911	21,723
	34,611	39,741

At March 31st 2018, there was £960,000 capital expenditure contracted for but not provided in the financial statements (2017: £5,617,000).

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

The company has guaranteed certain bank overdrafts and property leases of its subsidiaries. The annual cost of property leases guaranteed by the company is £2,135,000 (2017: £4,816,000).

NOTE 20 Related party transactions

Subsidiaries

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

Shareholders

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

NOTE 21 Events after the balance-sheet date

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

NOTE 22 Group companies

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries, the country of incorporation and the effective percentage of equity owned included in these financial statements at March 31st 2018 are disclosed below. The shares in these companies are included in the consolidation in the Group's financial statements using the equity method of accounting. Principal Group companies are identified in bold.

Company	Proportion held	Principal activity and operation	Country of incorporation
Bazian Limited	100%	Healthcare consulting	United Kingdom
Capitol Advantage LLC[1]	100%	Directories publisher	US
Clearstate (Pte.) Limited[2]	**100%**	**Healthcare consulting**	**Singapore**
CQ-Roll Call, Inc[3]	**100%**	**Publishing and information services**	**US**
Economist (Shanghai) Management Consulting Company Limited[4] †	100%	Publishing, events and information services	China
Economist Digital Services Limited	100%	Digital service provider	United Kingdom
EuroFinance Conferences Limited	**100%**	**Events and training**	**United Kingdom**
Ryder Street Properties (Management) Limited	100%	Dormant	United Kingdom
Ryder Street Properties Limited	100%	Dormant	United Kingdom
Signal & Noise Limited	100%	Data design agency	United Kingdom
TEG Delaware LLC[1]	100%	Dormant	US
TEG India Private Limited[5]	100%	Events and media services	India
TEG Massachusetts, Corporation[1]	100%	Dormant	US
TEG New Jersey, LLC[1]	100%	Dormant	US
The Digital News Agency Limited	100%	Dormant	United Kingdom
The Economist Books Limited	100%	Dormant	United Kingdom
The Economist Editorial (Overseas) Company Limited	100%	Representative agent	United Kingdom
The Economist Educational Foundation*	100%	Charity	United Kingdom
The Economist Group (Asia/Pacific) Limited[6]	**100%**	**Events and information services**	**Hong Kong**

NOTE 22 Group companies (continued)

Company	Proportion held	Principal activity and operation	Country of incorporation
The Economist Group (Brazil Holdings) Limited	100%	Investment holding company	United Kingdom
The Economist Group (Holdings) BV	100%	Investment holding company	The Netherlands
The Economist Group (Investments) Limited	100%	Investment holding company	United Kingdom
The Economist Group (Switzerland) SA[7]	100%	Media services	Switzerland
The Economist Group (US Holdings) Limited	100%	Investment holding company	United Kingdom
The Economist Group BV	100%	Dormant	The Netherlands
The Economist Group do Brasil Servicos de informacao sobre Negocios Ltda[8] †	100%	Business information	Brazil
The Economist Group France SARL[9]	100%	Media services	France
The Economist Group GmbH[10]	100%	Investment holding company	Austria
The Economist Group Limited	100%	Investment holding company	United Kingdom
The Economist Group Operations Limited	100%	Dormant	United Kingdom
The Economist Group (Services) Limited	100%	Dormant	United Kingdom
The Economist Group Singapore Pte Limited[2]	100%	Investment holding company	Singapore
The Economist Group Trustee Company Limited	100%	Trustee services	United Kingdom
The Economist Intelligence Unit Canback SA Proprietary Limited[11] †	100%	Consulting services	South Africa
The Economist Intelligence Unit Canback, Inc[1]	100%	Consulting services	US
The Economist Intelligence Unit Limited	**100%**	**Information services and events**	**United Kingdom**
The Economist Intelligence Unit, NA, Incorporated[1]	**100%**	**Events and information services**	**US**
The Economist Newspaper (Asia/Pacific) Limited[6]	100%	Dormant	Hong Kong
The Economist Newspaper Group Incorporated[1]	100%	Publisher and management services	US
The Economist Newspaper (Holdings) Limited*	100%	Investment holding company	United Kingdom
The Economist Newspaper, NA, Incorporated[1]	**100%**	**Media services**	**US**
The Economist Overseas (Holdings) Limited	100%	Investment holding company	United Kingdom
The Economist Publications Limited	100%	Dormant	United Kingdom
The Television Consultancy Limited	**100%**	**Marketing services**	**United Kingdom**
TVC Group Limited	100%	Investment holding company	United Kingdom
TVC Public Relations Limited	100%	Dormant	United Kingdom

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

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

1. 750 Third Avenue, New York, NY 10017, USA
2. 8 Cross Street, #23-01 Manulife Tower, Singapore 048424
3. 1625 Eye Street NW, Washington, DC 20006, USA
4. Rm 2508B, 1909-1910 Rui Jin Building, No. 205 South Mao Ming Road, Huangpu District, Shanghai, China 200020
5. 17, Subhash Marg, Darya Ganj, New Delhi 110002, India
6. 1301 Cityplaza Four, 12 Taikoo Wan Road, Taikoo Shing, Hong Kong
7. rue de l'Athénée 32, 1206 Genève, Switzerland
8. Rua Joaquim Floriano 1052. cj. 81, CEP 04534-004, São Paulo, -SP, Brazil
9. 10, rue du Colisée, 75008 Paris, France
10. Gonzagagasse 17, 1010 Wien, Austria
11. Inanda Greens Building 8, 54 Wierda Road, West Wierda Valley, Sandton, Gauteng, 2196, South Africa

NOTE 22 Group companies (continued)

For the year ended March 31st 2018, the following subsidiary undertakings of the Group were exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Companies Act 2006:

Company	Principal activity and operation	Company registration number
Ryder Street Properties (Management) Limited	Dormant	1985839
The Digital News Agency Limited	Dormant	06451318
The Economist Books Limited	Dormant	1775942
The Economist Group (Brazil Holdings) Limited	Dormant	9164810
The Economist Group Trustee Company Limited	Dormant	1775932
The Economist Publications Limited	Dormant	1775671
TVC Public Relations Limited	Dormant	5587380

Notice of annual general meeting

Notice is hereby given that the annual general meeting (AGM) of The Economist Newspaper Limited will be held at the British Academy of Film and Television Arts, 195 Piccadilly, London W1J 9LN on Tuesday July 17th 2018 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 2018.
2. To declare a final dividend of 104.0 pence per share in respect of the year ended March 31st 2018 to all "A" Special, "B" Special and Ordinary shareholders on the company's register of members at the close of business on June 19th 2018.
3. To reappoint Deloitte LLP as the company's auditor 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 auditor.

By order of the Board
Oscar Grut
Secretary

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

June 19th 2018

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

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

Whether or not you intend to attend the AGM in person, please submit your form of proxy electronically or in hard copy as soon as possible.

2010-2018

Countries mentioned in *The Economist*