The Economist Group

Annual report 2015

ANNUAL REPORT

REPORT AND ACCOUNTS

Five-year summary

Profit and loss	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Revenues	328	332	346	362	347
Operating profit	**60**	**59**	**68**	**67**	**63**
Profit on ordinary activities before interest	60	59	68	67	63
Net interest	(2)	(2)	(4)	(3)	(4)
Profit before taxation	59	57	64	65	60
Profit after taxation	46	44	49	47	44

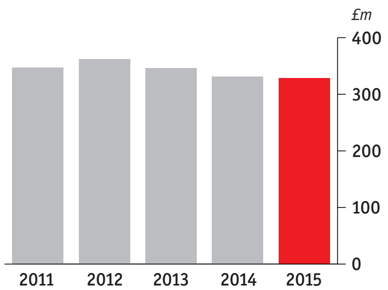
Balance sheet					
Fixed assets	132	129	145	131	124
Net borrowings	(14)	(13)	(25)	(11)	(15)
Net current liabilities	(71)	(73)	(69)	(65)	(56)
Long-term creditors and provisions	(87)	(60)	(87)	(71)	(57)
Net (liabilities)/assets	(26)	(5)	(11)	(5)	12
Net cash from operating activities	64	69	60	70	78

Ratios					
Operating profit to turnover	18.3%	17.8%	19.5%	18.6%	18.2%
Basic earnings per share	183.5p	175.8p	194.4p	188.7p	176.5p
Normalised earnings per share	183.5p	174.6p	194.4p	188.7p	176.5p

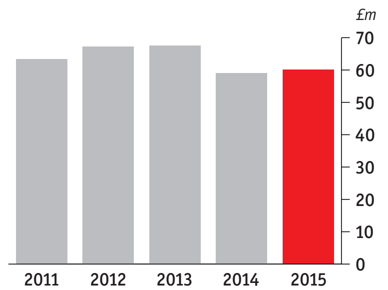
Dividends and shares					
Final and interim dividend per share	139.7p	131.7p	123.2p	116.0p	104.1p
Special dividend per share	23.8p	31.7p	40.0p	40.0p	39.7p
Total dividend per share	163.5p	163.4p	163.2p	156.0p	143.8p
Times covered (excluding non-operating exceptional items)	1.1	1.1	1.2	1.2	1.2
Indicative share value	£29.00	£27.00	£26.00	£25.00	£24.50
Dividend yield	5.6%	6.1%	6.3%	6.2%	5.9%

Group overview

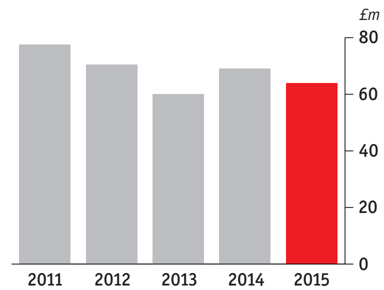
Group revenues



Group operating profit

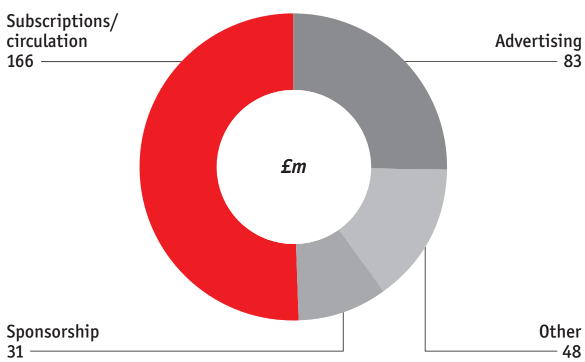


Group operating cashflow



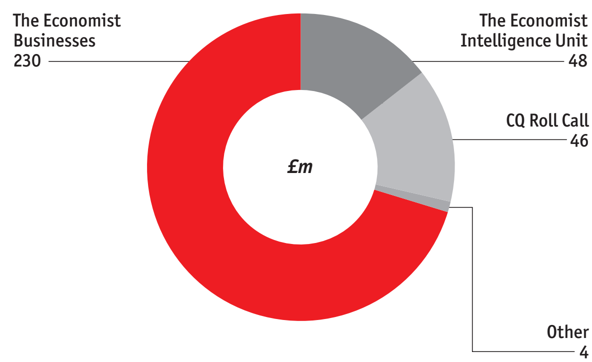
Group revenues breakdown

2015



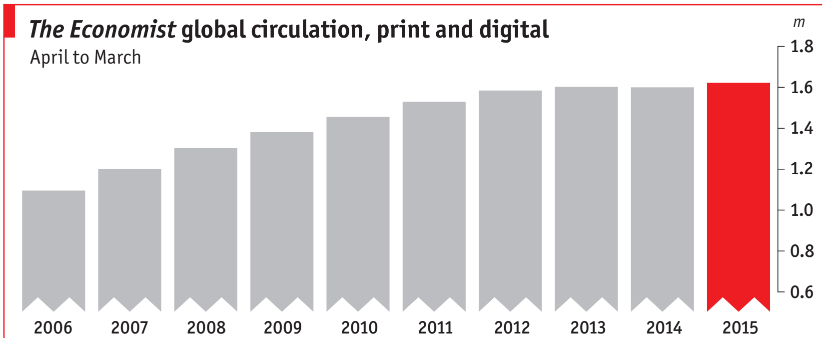
Revenues by business

2015

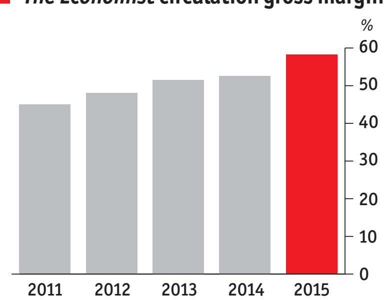


The Economist global circulation, print and digital

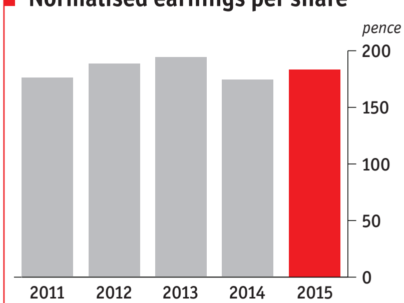
April to March



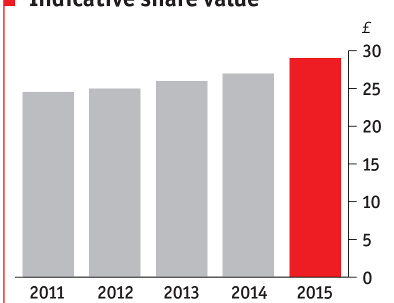
The Economist circulation gross margin



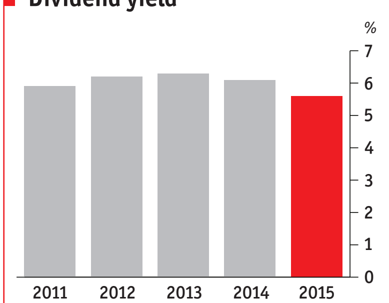
Normalised earnings per share



Indicative share value



Dividend yield



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

From the chairman

"Beneath the surface of all these figures you will find innovation and risk-taking"

LAST YEAR'S financial results were broadly flat: revenues down 1%, operating profits up 2%, and the US dollar-sterling exchange rate averaging almost exactly what it was in the previous year. Under the surface, though, a lot was happening, and most of it encouraging.

Starting with the newspaper itself, print advertising continued its steep fall, and revenue from circulation continued to rise. This combination is transforming the paper's business model. At the start of the century *The Economist* had total annual revenues of £142m, of which £93m (65%) came from selling print advertising; by last year, print ads had fallen by half, to £47m (just 28% of the total), yet total revenues had risen to £169m. Perhaps the most remarkable figure from last year was the 13% rise in the gross profit from circulation, as we weeded out discounted copies and attracted more subscribers who paid a premium for a "bundle" of print and digital editions.

The paper has also had a change of editor. After nine years in the chair, John Micklethwait stepped down at the end of January. He steered the paper through many difficult phases, including a financial crash and a digital storm, and we have much to thank him for. With the approval of the Trustees, the Board appointed Zanny Minton Beddoes as the 17th editor, and you will find her early thoughts on the job later in this report.

Moving on to other parts of the Group, there has been rapid growth in the rest of The Economist Businesses. Our clients may want to buy less print advertising than before, but they spend more on other forms of marketing. The two largest categories saw sales grow by 37% (thought-leadership products) and 39% (TVC, our digital media agency). Growth was much slower in sponsorship for conferences and events, but still positive.

The second of the Group's three legs, the Economist Intelligence Unit (EIU), increased revenue by 2%. Although its long-standing country reports saw a 4% fall in revenue, research commissioned by clients had a rise of 27%.

The Group's third leg is the CQ Roll Call business in Washington, DC. It has continued to face tough trading conditions, at a time when political gridlock reduced the amount of federal legislation and all the activity that swirls around it. Revenue was down by 3%, but cost control ensured that profits did not decline.

Beneath the surface of all these figures you will find innovation and risk-taking. Espresso, a new app that provides a daily shot of *The Economist*'s journalism, has been downloaded more than 800,000 times since it started in November. The Group has recently launched a new bilingual app aimed at the Chinese market, and you will soon hear about Economist Films. These and other new products cost money to develop and promote, and most of the costs are written off as they arise. Without them, profit would have been higher last year—but it would then be held back, we believe, in years to come. As a private company, we can more easily invest for the long term, and that perspective gives the Board the confidence to increase the final dividend to 99.2p per share, up by 5.5% compared with last year.

The biggest reason for the Board's confidence, though, is our staff. The digital world is full of opportunities, but it does demand big changes in how people work. Through their flexibility and imagination, our staff are taking the Group into an exciting future, and I thank them for all they do.

RUPERT PENNANT-REA

From the chief executive

"We are making progress in many areas critical to our future"

THE YEAR just finished was a challenging one; nonetheless, we managed to deliver higher profits than in the preceding year. More importantly, we are making progress in many areas critical to our future and I look forward to this year with great excitement as we accelerate our plans to transform and grow the business.

In the media business, print advertising at *The Economist* declined by 18% in the year, with the greatest decline happening in the US. Given the high margins associated with print advertising, this had a disproportionate impact on our profits which we did well to cover. Digital advertising also suffered from economic weakness in the US early in the year but gained momentum as it progressed, aided by various initiatives such as our programmatic offering. As Rupert mentions in his review, one of the highlights of the year was the growth in our marketing services revenue. We have known for a while that marketers are shifting their budgets away from advertising and towards other marketing services, and it was particularly pleasing to see such significant growth in our content-solutions business and TVC. We intend to build on that success this year.

The paid circulation of *The Economist* is growing; this, combined with improved revenue per copy, has driven a significant increase in its profitability. The success of our circulation-marketing activity will continue to grow both the paid volume and profitability for many years to come.

The EIU had a tough year in its core country-analysis subscription business but there are encouraging signs of improvement and we have seen considerable growth in its industry-sector-specific divisions, most notably at Clearstate (healthcare market intelligence) and the newly created public policy unit. We have plans to build on this growth and create a capability in at least one new industry sector.

In the key strategic areas I mention above—marketing services, circulation and healthcare—we made particularly strong progress in Asia. In many ways I believe our business there is coming of age.

CQ Roll Call has operated in a difficult environment for a number of years, with government spending cuts and legislative gridlock in DC, so it did well to maintain its profit last year. We are confident that the economic recovery in the US and the changing political landscape are creating a more positive outlook for the business, and we are determined to take advantage of that this year.

Product innovation came to the fore last year. We launched *The Economist* Espresso, our daily short, sharp fix of *The Economist* delivered to readers first thing in the morning. We created Economist Films, initially focusing on a series of short-form, high-end factual programmes with product values that reflect our heritage. The first two pilots, "Drugs: War or Store" and "Drone Rangers", have been completed (or, as they say, are "in the can"). There are more to come. In April we launched our first ever bilingual app, Global Business Review, with the ability to switch between English and Chinese with just a tap of the screen. We have many more exciting plans for the year ahead.

In a world and industry where the pace of change gets ever quicker, we have learnt to be true to our heritage but also to respond and innovate just as quickly. The energy, enthusiasm and great skill of our staff give me confidence that, while we face many challenges, we will be successful in continuing to transform and grow the business.

CHRIS STIBBS

From the editor

"Inside the newspaper, it was a year of milestones"

GRIM POLITICAL news dominated much of *The Economist*'s coverage last year. Vladimir Putin made several appearances on our cover—as a menacing puppeteer, bare-chested in the turret of a tank and lurking on a giant chessboard—as we decried Russia's expansionist meddling in Ukraine. We deplored the rise of Islamic State and lamented America's fecklessness in the Middle East. In the year's biggest elections, *The Economist* backed the winner in Japan, Indonesia and Nigeria. In India and Brazil we did not. We continued to take a dim view of Europe's economy and argued early that the economies of both Russia and Brazil were in greater trouble than many realised. In between making sense of current events, our covers tackled mind-stretching themes, from the future of the university and the rise of the "app economy" to the emergence of a new "American aristocracy".

Inside the newspaper, it was a year of milestones. In November we launched the Espresso app, for the first time offering readers a daily shot of news analysis. In December we created a data department to raise our game in statistical analysis and presentation. In February we changed editor. John Micklethwait moved to New York to run Bloomberg News. His valedictory essay, a paean to liberalism, and his final cover—the Venus de Milo pointing a revolver, with the words "Go ahead, Angela, make my day"—were both models of their genres. Unable to match John's productivity, my first decision was to appoint two excellent deputies: Tom Standage and Edward Carr. My second was to cut the salutation "Sir" on the letters page. Some readers lamented the change, but "Madam" just seemed too old-fashioned.

Digital progress has been dramatic. From Economist Films to a bilingual app, the pace of innovation is so rapid that Tom Standage has provided a separate report (see page 8). In March Economist.com had almost 47m page views and over 12m unique visitors, both a rise of 30% from a year ago. Traffic from Twitter and Facebook has tripled.

Intelligent Life's cover stars included Eddie Redmayne, four months before he won an Oscar. The magazine stepped up its web presence, made video a regular feature of the iPad edition and staged its first public events. It drew large audiences to hear two writers, Hilary Mantel and Eleanor Catton.

The EIU had a strong year editorially, with a particular focus on expanding its analysis of cities to India and South-East Asia as well as the existing Access China service. The editorial team at the EIU's healthcare division continued to raise the company's profile in a fast-growing industry.

With American politics dominated by the mid-term election, CQ Roll Call had a strong year of campaign coverage. A livestream broadcast from the newsroom on election night attracted sponsorship and drove traffic. CQ and *Roll Call* worked together to publish a new member guide within 48 hours of the election. Overall site visits grew by more than 20%.

These efforts won outside recognition. Kal, *The Economist*'s cartoonist, won the 2014 Overseas Press Club Award and the 2015 Herblock Prize for editorial cartooning. Tom Standage was named Pioneer of the year at the British Media Awards. Rosemarie Ward won a Front Page award for reporting about the riots in Ferguson, Missouri. Andrew Miller won Travel Story of the year at the FPA Media Awards. The EIU was ranked first in the "for profit" category in the University of Pennsylvania's 2014 Global Go To think-tank index. And CQ Roll Call won five awards from the Maryland-Delaware-DC Press Association, including one for its survey of the wealth of Congress.

ZANNY MINTON BEDDOES

EDITOR-IN-CHIEF

The Economist's digital strategy

THE DIGITAL transformation of our industry presents us with new opportunities to do two things: to enhance what we offer subscribers on the one hand, and to carry our values, expertise and perspective to new audiences on the other. The digital initiatives we embarked upon last year exploited the potential of both of these approaches.

In November 2014 we launched Espresso, a stimulating shot of information and analysis designed for reading on the go each weekday morning via smartphone app or e-mail. Espresso complements the weekly newspaper by doing the same job for the reader—providing a trusted, succinct summary of world events, spotting trends and providing analysis—but on a daily cycle. Espresso is free to existing digital subscribers and is available on its own for £2.49 a month. It has been well received by both existing and new readers—some of whom, we hope, will use it as a "stepping stone" to a weekly subscription. The app has been downloaded more than 800,000 times and has a weekly readership of 200,000; 175,000 existing subscribers have activated access to it. Espresso was shortlisted for "App of the year" in the British Media Awards.

"We launched Espresso, a stimulating shot of information and analysis designed for reading on the go"

In addition to our first daily, we also created our first bilingual product, *The Economist* Global Business Review, an English-Chinese smartphone app launched in April 2015. It offers a curated selection of 30 articles a month, focusing on global trends in business, finance and technology. Our market research shows that these topics have the greatest appeal to the mostly business audience we are targeting, and the app has been designed to present the same articles in other languages in future. The high quality of the translations, and the ability to flip entire articles or individual paragraphs between languages, means the app can also be used as an educational tool. After a free trial period, access will cost less than £65 a year. Though aimed at countries with large Chinese-speaking populations, the Global Business Review is available worldwide.

Both Espresso and the Global Business Review are examples of products that would have been impractical for us in the print-only era, but can now be delivered globally via smartphones. A third new venture, Economist Films, which kicked off in February, capitalises on the rise of new digital platforms for video delivery. This new business unit, for which I am the editorial head and Nicholas Minter-Green is the commercial head, is making a series of short, factual documentaries for distribution through both our own digital channels and via social platforms. The growing popularity of video gives us an opportunity to introduce millions of new viewers to *The Economist*'s distinctive perspective on global affairs.

This year we also embarked on an overhaul of our audio output, consumption of which is also growing on mobile devices, and which (like video) lets us reach a wider audience in novel ways and on new platforms, such as cars and wearable devices. In addition, we updated the main Economist app to allow control of the audio edition using the Apple Watch. This new device promises to catalyse an entire product category, but as with the introduction of the iPad five years ago, its impact is hard to predict. It highlights the uncertainty and rapid change that characterise today's media environment—and the need for us to remain alert to new opportunities, open to experimentation and agile in our response.

TOM STANDAGE
DEPUTY EDITOR, THE ECONOMIST

The Economist Group media businesses

"Our non-advertising revenues grew year on year by 18%"

OUR STRATEGY of diversifying revenues away from advertising is working. Our non-advertising marketing and events revenues grew year on year by 18%. We have positioned ourselves not just as a provider of advertising, but as experts in helping brands engage intelligently with customers around the world. As we make this shift from selling advertising products to providing marketing solutions, we have had to invest in "agency" like functions and resources which has affected our margin.

Although we planned for a decline in print advertising the shortfall was bigger than expected, driven largely by the US market. Our digital advertising (online and in-app) growth slowed this year as we continue to manage the migration of online advertising from direct sales to selling through networks, including Ideas People Media, our own network, and programmatic trading. Indeed, our programmatic business finished its first year ahead of budget and is expected to double revenues in the coming year.

Within our non-advertising businesses, our investment in content marketing and marketing services is paying off. Both businesses' revenues grew year on year by 37% and 39% respectively.

The US and Asia were the strongest growth markets for our content-marketing business. Growth came from renewing big programmes for companies like GE, launching client-branded services in Europe and Asia and winning business in new categories such as luxury. The awards have followed. We won Best Publisher Native Advertising Program at the Digiday Content Marketing Awards and Native Advertising Solution, Best Campaign of the Year at the Online Media Awards.

TVC is now an established part of our offering to clients and it creates the majority of the video we deliver. Its core business continues to grow. We are seeing benefits from its expansion into sports and its first overseas office in New York.

The Economist branded events business performed well in the US and Asia but was affected by events in Africa, causing us to cancel meetings. A highlight, though, was our Oceans event being named winner of the annual Peter Benchley Ocean Awards for "Excellence in Media". EuroFinance had another successful annual event and we launched a partnership with Commercial Payments International to extend the business into the commercial card-payment market.

Last year we consolidated our products related to our readers' career development (*Which MBA?*, online fairs, GMAT Tutor and classified advertising) into one business: Economist Careers Network. This has allowed us to develop products which focus on our readers' career journey—finding a business school, getting into the school, finding a job and finding courses. We plan to launch more products around postgraduate and executive education courses.

Our media-brand businesses—*Intelligent Life* and *The World In*—are now run under one team with a clear strategy to diversify revenues. The first steps have seen *Intelligent Life* expand its distribution in North America and Asia Pacific and *The World In* double its digital circulation. We have exciting plans for both publications for the year ahead.

We expect this to be the year when our non-advertising revenues overtake our print advertising revenues. We will continue to invest in this strategy through optimising revenues from our advertising products while maximising growth from our content-marketing, events and marketing-services businesses.

PAUL ROSSI

PRESIDENT, THE ECONOMIST GROUP MEDIA BUSINESSES

The Economist global circulation

LAST YEAR represented the second year of a long-term plan to double the profitability of our circulation business. Our plan is based on four simple pillars: a steady migration to digital reading (reducing our print and distribution costs); asking subscribers to pay a reasonable premium if they want both print and digital formats; reducing our reliance on discounts to acquire and retain subscribers; and, finally, investing more in marketing.

The performance of this plan surpassed our profit targets. I am confident our plan will remain effective for three reasons. First, demand for subscriptions to *The Economist* remains undiminished; this is supported by the continually strong results of our marketing activity. Second, our market penetration is still low; we estimate that only 1% of the people in the world who share the characteristics of an *Economist* reader currently subscribe. And third, even though we have reduced the average cost to acquire subscribers by 20%, we believe we can still make our marketing more effective.

"Demand for subscriptions to The Economist remains un-diminished"

To increase the efficiency of our marketing, last year we paid greater attention to engaging, converting and retaining our readers. As a result, unique visitors to Economist.com increased 32% year on year to an average of 11m per month, driven by a five fold increase in the volume of content shared on our social media channels.

Through continuously testing and optimising key stages in the online customer journey, we channelled more readers into subscribing, delivering a 30% increase in the volume recruited via Economist.com. We focused more resources on subscriber retention, kicking off an extensive two-year programme to globalise and overhaul our retention strategy, reporting, operations and services. The first nine months of the programme delivered a 2% improvement in our global renewal rate, driving a material reduction in churn.

Selling print copies of *The Economist* at newsstands around the world remains a profitable element of our circulation. While newsstand sales for us, and most publications globally, are declining year on year, we were able to maintain profits by significantly improving our margins. This was achieved by tight supply management, active point-of-sale promotions, closely managing distribution and production costs, and following a premium-pricing strategy.

This year we also succeeded in halving the cost of acquiring new subscribers through our digital marketing channels. We invested in digital marketing throughout the "customer journey": at one end, using emerging-marketing technologies to introduce new audiences to our content (to warm them up); while at the other end, applying sophisticated and forensic conversion attribution techniques (to encourage them to become subscribers). We now behave in much the same manner as an online retailer. We deliver ever-on marketing—we determinedly pursue leads, precisely measure our return on investment and relentlessly optimise our activities.

To support all our direct marketing activities, throughout the past 12 months we have been building a solid media-communications plan. Media coverage increased to new peaks, particularly driven by a stream of corporate announcements, from the launch of Espresso, through to the appointment of our new editor-in-chief. The Group's media profile was further augmented through an executive-visibility programme that positions our leadership team as experts in their fields of business.

For the second year running, we begin the fiscal year with even more loyal subscribers, a more digital and more profitable circulation—as well as a proven strategy to continue circulation growth.

MICHAEL BRUNT

CHIEF MARKETING OFFICER, THE ECONOMIST

The Economist Intelligence Unit

THE Economist Intelligence Unit (EIU) is gradually changing from a business which focuses narrowly on subscription services for macroeconomic and political forecasting, to one which also has strong capabilities in key industries and bespoke research. This transition accelerated in 2014-15. Our healthcare business grew impressively and our public policy practice reached new heights, while custom-research grew strongly. Our subscriptions services, conversely, had good renewal rates but soft new business as clients switch to more customised services.

"Our public policy practice reached new heights"

Our editorial team spent the year assessing the implications of a collapsing oil price, the renewed fears of a euro-zone break-up, and the steady removal of monetary stimulus in the US. But the biggest trend affecting our clients was the deterioration in growth prospects for the emerging world. This has not reduced their interest in emerging-world opportunities. Instead, it has prompted a desire for yet more granular information to inform their decision-making and an increased focus on smaller and less well understood markets, as well as a demand for city-level analysis. Our universal country coverage and increasing city-level capabilities stood us in good stead to meet this demand.

Client budgets for our macroeconomic and political subscription services remained under pressure, especially in Europe, which limited new business development. The situation was better in the Americas and Asia, where our clients are more optimistic about medium-term prospects. As a result, we continued to invest, adding staff across both regions and registering locally incorporated businesses in both China and Brazil. Local entities allow us to contract more easily with domestic firms, an important source of future growth. We also launched a new Corporate Network in Seoul to provide research and analysis face to face to clients.

Our custom-research business had a good year, with revenues rising by about a quarter. And our public policy practice was particularly strong, growing by 145%. Key projects included work for the IMF, World Bank, governments in all regions of the world and many of the world's largest foundations, including the Bill and Melinda Gates Foundation and the Clinton Foundation. The EIU's brand plays well in this area and we expect further strong growth next year—as witnessed by the high level of custom-research bookings we already have for 2015-16.

Our healthcare division also performed very well. The biggest growth driver was market intelligence and strategic advisory, where revenues grew by 50%. Growth came from Asia and we are investing heavily in operations in Singapore, China and Japan to support further growth. But we are also building a bridgehead in other markets, especially in Europe, with additional investments also planned for the US. Our UK-based evidence review and value demonstration business, Bazian, has been expanding beyond its NHS roots to work with other governments, as well as winning contracts from the private sector, and we are optimistic about the prospects for 2015-16.

The global economy is likely to be mixed next year, with strength in the US and a modest recovery in Europe being offset by a further emerging-world slowdown. But with much of the EIU's business still focused on helping Western companies optimise their operations in the emerging world, this outlook will be supportive. We have a highly skilled team able to provide great insight to clients, a new sales infrastructure in subscriptions, healthy booked revenue in custom-research and strong demand for healthcare analysis. This gives me confidence that the year ahead will be good for the EIU.

ROBIN BEW

MANAGING DIRECTOR, THE ECONOMIST INTELLIGENCE UNIT

CQ Roll Call

"We acquired Federal News Service (FNS) and it has proved to be highly accretive"

CQ ROLL CALL continues to hold its market-leading position on Capitol Hill, despite the challenging environment. The quality of our content and the trust our clients have in our output gives us a strong foundation for the future.

At the start of last year we introduced a refreshed and mobile-responsive version of CQ.com that led to a significant advance in our ability to engage our clients—unique page views grew by more than 20%. It was particularly satisfying to see the site reach record levels of use during periods of critical legislative activity, confirming our reputation as a trusted source for those who need to know about Congress. Continuing our digital expansion, mobile use accounted for just under half of all access. We expect mobile use to be higher this year with the introduction of a CQ app for iPad and Android. CQ still faces a strong competitive environment in Washington, and its new management team is responding by introducing new talent, adding daily analysis of legislative trends to the daily news report and offering exclusive new tools to track voting trends in Congress.

We will soon offer CQ Plus, a tool that allows clients to constantly monitor our news, analysis and legislative data on the subjects that matter most to their business. The ability to create and share personalised reports from CQ will strengthen our relationship with the current client base and offer a useful feature to potential new customers, who are as yet unfamiliar with the depth of our news and data.

In December, we acquired Federal News Service (FNS) and it has proved to be highly accretive. The successful integration of content, technology and account-management operations has generated 96% renewal rates since the purchase. We expect further growth in 2015-16.

Roll Call continued to build upon its success as a digital-first brand. In 2014 the website was visited more than 17m times by over 9m unique users. That is a 20% increase in sessions compared with the previous year. The newspaper will introduce a new multimedia page on its website to increase its delivery of photo and video content as news happens. *Roll Call* writers and editors will be able to add related video and photos to their stories upon publication, which will generate additional revenue through increased traffic.

On the commercial side, we ended the year with a strong advertising performance, leaving us well positioned for continued digital and events growth in the coming year. The combination of *Roll Call*'s multimedia political coverage and the addition of programmatic advertising solutions will place us in a strong position as we enter the presidential election cycle beginning this autumn.

In 2015, CQ marks its 70th year in business and *Roll Call* celebrates its 60th anniversary; we will use those milestones for an expanded set of special events and news products to position both brands for the future.

PAUL MCHALE
INTERIM MANAGING DIRECTOR AND EVP, CQ ROLL CALL

Strategic report (on pages 2-12) by order of the Board

Oscar Grut
Secretary
June 16th 2015

REPORT AND ACCOUNTS

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Directors

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

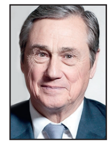
Chris Stibbs
Appointed Group chief executive in July 2013, having joined the company as Group finance director in July 2005. Managing director of the Economist Intelligence Unit from April 2010 until July 2013. Previously corporate development director of Incisive Media, finance director of the TBP Group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

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.

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

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

Philip Hoffman
Appointed as a non-executive director in July 2014. Chief corporate finance and strategic development officer at Pearson and a member of its executive committee. A non-executive director and chairman of the audit committee at Penguin Random House. Previously a director of Interactive Data Corporation and MarketWatch.com.



Sir Simon Robertson
Appointed as a non-executive director in July 2005. Deputy chairman of HSBC Holdings, non-executive director of Berry Bros & Rudd, founder of Simon Robertson Associates and a trustee of the Royal Opera Endowment Fund 2000. Former chairman of Rolls-Royce Holdings.

John Ridding
Appointed as a non-executive director in February 2014. Chief executive of the FT Group and president of Pearson Professional, having served for more than 20 years in editorial and executive positions at both Pearson and the Financial Times. A director of Bonnier Business Media and Room to Read.

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

Trustees

Eric Schmidt
Appointed as a non-executive director in November 2013. Executive chairman of Google having served as Google's chief executive officer from 2001 to 2011. Adviser to PCAST (United States President's Council of Advisors on Science and Technology). Chairman of the New America Foundation and a director of the Broad Institute. A trustee of the Mayo Clinic and the Institute of Advanced Study. A former non-executive director of Apple.

Luke Swanson
Appointed as a non-executive director in July 2011. Since 2015, chief executive of Chance to Shine. Former transformation director and corporate affairs director at Pearson. Previously a director of South African business publisher BDFM and of Interactive Data Corporation.

John Micklethwait
Retired from the Board in January 2015 having served as the editor-in-chief since April 2006 and a director since May 2006.

Rona Fairhead
Retired from the Board in July 2014, having served since July 2005.

Baroness Bottomley of Nettlestone PC, DL
Trustee since October 2005. Heads the board practice of Odgers Berndtson. Member of the House of Commons (1984-2005). Member of the Cabinet (1992-97), serving as Secretary of State, first for Health and then for National Heritage. Chancellor of the University of Hull, pro-chancellor of the University of Surrey and governor of the London School of Economics. Member of the UK Advisory Council of the International Chamber of Commerce and of the International Advisory Panel of Chugai Pharmaceutical. Non-executive director of Smith & Nephew.

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

Lord O'Donnell CB, KCB, GCB, FBA
Trustee since October 2012. Press secretary to Prime Minister John Major (1990-94). UK executive director on the boards of the IMF and the World Bank (1997-98). At the UK Treasury, appointed managing director of Macroeconomic Policy and International Finance in 1999, serving as Permanent Secretary from 2002 to 2005. Appointed to the House of Lords in 2012, having served three British prime ministers as Cabinet Secretary and Head of Civil Service from 2005 to 2011. Made a fellow of the British Academy in 2014. Currently 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.

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

Board committees

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

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

Group management committee (GMC)

Chris Stibbs
Zanny Minton Beddoes (since February 2015)

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

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

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

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

Paul McHale
Group HR director and, since January 2015, interim managing director and EVP CQ Roll Call. Joined the Group in 1999 from United Biscuits, where he was an HR manager at McVitie's. Began his career at J Sainsbury.

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

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

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

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

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

Susan Clark
Left the Group in June 2014, having served in a number of roles including most recently chief marketing officer.

Keith White
Left the Group in January 2015. Formerly EVP and managing director, CQ Roll Call.

Directors' report

The directors present their report to shareholders, together with the audited consolidated financial statements, for the year ended March 31st 2015.

Developments and principal activities

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

Results and dividends

The profit after tax for the financial year to March 31st 2015 was £45.9m (2014: £44.0m). A final dividend of 99.2p per share (2014: 94.0p) is proposed for the year to March 31st 2015. Together with the interim dividend and the special dividend already paid, this makes a total proposed dividend for the year of 168.7p (2014: 168.7p). The final dividend will be paid on July 21st 2015 to shareholders on the register at the close of business on June 16th 2015.

Property values

The directors have been advised that the open-market value of the Economist Complex at March 31st 2015 was £100.4m; the balance-sheet value is £13.0m after deducting borrowings from finance leases. Based on this information, the directors consider that the aggregate market value of all the Group's properties exceeds their book value.

Transactions with related parties

Details of transactions with related parties, which are to be reported under FRS 8, are set out in the notes to the financial statements on page 55.

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

The general management of the business of the company is under the control of the Board of directors. There are 13 seats allowable on the Board, seven of which may be appointed by holders of the "A" special shares and six by the holders of the "B" special shares. There are 105 "A" special shareholders. The "B" special shares are all held by The Financial Times Limited. John Elkann, Zanny Minton Beddoes, Rupert Pennant-Rea, Sir Simon Robertson, Lady Lynn Forester de Rothschild and Eric Schmidt were appointed by the "A" special shareholders. The "B" special shareholders appointed Sir David Bell, Philip Hoffman, John Ridding, Chris Stibbs and Luke Swanson.

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

Corporate governance

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

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

- The directors' contracts of employment do not explicitly provide for compensation commitments in the event of early termination.

- Some shareholder meeting procedures do not comply.

- In view of the company's unique capital structure which gives the "A" special and "B" special shareholders the right to appoint directors, the directors do not stand for re-election under the company's articles of association. However, in June 2007 the Board decided that henceforth "A" special shareholders would be given the opportunity to vote on the renewal of the appointments of directors elected by them on each three-year anniversary of such appointments (or the six-year anniversary, 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 Board currently comprises nine non-executive directors and two executive directors. The non-executive directors have a breadth of successful commercial and professional experience and they exercise independent judgment. John Ridding is chief executive of the FT Group and president of Pearson Professional. Luke Swanson is former director of transformation at Pearson plc. Philip Hoffman is chief corporate finance and strategic development officer at Pearson plc. Lady Lynn Forester de Rothschild and her spouse, Sir Evelyn de Rothschild, as well as John Elkann, are each interested in a significant number of shares (see page 23). Details of directors' interests and, in relation to the executive directors only, their interests in the employee share ownership trust are given in the directors' report on remuneration on pages 23-25.

The Board is chaired by Rupert Pennant-Rea and has met for regular business six times in the 12 months to March 31st 2015. The Board also convenes at other times on an ad hoc basis or in committee when events warrant. It is responsible for the overall direction and strategy of the Group and for securing the optimum performance from the Group's assets. It also exercises control by determining matters specifically reserved for it in a formal schedule which only the Board may change: these matters include significant acquisitions and major capital expenditure. The Board carries out regular reviews of matters undertaken by management under delegated authority. The company's articles of association require the approval of the trustees for some actions.

Board committees

The audit committee is made up of four non-executive directors. It is chaired by Sir Simon Robertson. The other members are Philip Hoffman (since March 2015), Rupert Pennant-Rea and Lady Lynn Forester de Rothschild. The committee assists the Board to ensure that the published financial statements give a true and fair view of the business and also to ensure reliable internal financial information is produced. The committee is also responsible for reviewing the suitability and effectiveness of the Group's internal financial controls, the work and findings of both internal and external auditors, and key accounting policies and judgments.

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

Internal control

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

The Group's annual review of risk highlighted the following principal areas: changes to its markets (including the migration of advertising spend to digital formats and non-advertising approaches, the pace of change in digital markets for reading and advertising, and the commoditisation of information products); the global shift of economic power from West to East; volatility of the surplus/deficit on the UK defined-benefit pension scheme; building and staff safety; business continuity (including the breakdown of operational systems from external attack, the failure of key suppliers or a global disaster); the impact on the business of cybercrime attacks; brand and reputational risk (from libel action or infringement of the Group's intellectual property rights); regulatory risk, such as changes to privacy laws; and the financial operations of the company, specifically foreign exchange and tax. The Group has carried out a thorough risk assessment and confirmed that it has adequate anti-bribery procedures in place covering staff, suppliers and agents.

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

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

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

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

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

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

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

The Economist Group's guiding principles

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

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

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

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

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

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

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

- We value our colleagues and treat each other fairly. The Group is committed to equality of opportunity in all employment practices and policies. We do not discriminate against employees or job applicants based on the grounds of age, sex, sexual orientation, marital status, race, colour, religion, national origin or disability. We support staff who through disability or illness are unable to perform their duties, by adapting the work environment and hours of work to suit the employee where it is reasonable for the business.

- The Group is committed to increasing staff diversity. We particularly focus on ensuring that we recruit from the widest possible pool of talent. We are also keen that people feel comfortable and valued at work, regardless of their background. We recognise that it is essential to keep employees informed of the progress of the Group. We regularly provide employees with information on the Group's activities and its financial performance through staff meetings and communication through our intranet. We have a strong consultative culture and we follow legal and regulatory requirements to consult with staff on major issues affecting the company.

Annual general meeting

The notice convening the annual general meeting, to be held at 12.15pm on Thursday July 16th 2015 at the British Academy of Film and Television Arts, can be found on page 63.

Independent auditors

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

Auditor independence

In line with best practice, the audit committee operates a policy that defines those non-audit services that the independent auditors may or may not provide to the Group. The policy requires the provision of these services to be approved in advance by the audit committee. A statement of the fees for audit and non-audit services is provided in note 3 on page 39.

Disclosure of information to auditors

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

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

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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

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

By order of the Board
Oscar Grut
Secretary
June 16th 2015

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	2015		2014	
Beneficial holdings	"A" Special	Ordinary	"A" Special	Ordinary
Rupert Pennant-Rea	75,000	8,450	75,000	8,450
Sir David Bell	-	-	-	-
John Elkann[1]	-	1,190,000	-	1,190,000
Rona Fairhead (retired July 2014)	-	-	-	-
Philip Hoffman (appointed July 2014)	-	-	-	-
John Micklethwait (resigned January 2015)	8,450	20,000	2,950	19,100
Zanny Minton Beddoes (appointed February 2015)	-	9,145	-	9,145
John Ridding	-	-	-	-
Sir Simon Robertson	-	4,800	-	4,800
Lady Lynn Forester de Rothschild[2]	240,440	3,841,548	240,440	3,841,548
Eric Schmidt	-	-	-	-
Chris Stibbs	250	23,393	250	15,989
Luke Swanson	-	-	-	-
Holding as a trustee				
Lady Lynn Forester de Rothschild[2]	-	1,305,002	-	1,305,002
John Micklethwait[3] (resigned January 2015)	-	97,500	-	97,500
Rupert Pennant-Rea[3]	-	97,500	-	97,500

[1] Indirectly held by a company of which he is a director and chief executive officer.
[2] Includes the interests of her spouse, Sir Evelyn de Rothschild.
[3] Held as a joint trustee of the Marjorie Deane Financial Journalism Foundation.

Chris Stibbs has the right to acquire 32,500 ordinary shares under the restricted share scheme described on the next page. In April 2015, Zanny Minton Beddoes was awarded the right to acquire 15,000 ordinary shares under the same scheme. John Micklethwait's right to acquire 7,500 ordinary shares under the scheme lapsed on his resignation in January 2015.

The executive directors of the company, together with all employees of the Group, are beneficiaries of the company's employee share ownership trust. As such, the directors are treated as interested in the 201,563 ordinary shares (2014: 193,407) held by the trustee of the trust.

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

(a) Annual bonus plans

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

(b) Executive long-term plans

Executive directors and some other senior employees were awarded performance units under the executive long-term plans. For schemes commencing on April 1st 2012 and April 1st 2013, the units are equivalent in value to the company's ordinary shares. After a three-year performance period, participants may receive payments depending on the Group's performance against EPS hurdles and its total shareholder return compared with a selected group of companies.

For schemes commencing April 1st 2014 and thereafter, executives participate in a three year cash bonus scheme. The bonus pool is a percentage of Group cumulative operating profit after three years. The amount paid to each participant is determined by the growth rate in the Group's earnings per share and by the number of units awarded to the participant at the start of the three-year period. There is a minimum hurdle to achieve in earnings per share growth before any payments are made.

(c) The Economist editorial long-term plan

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

(d) The Group long-term plan

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

(e) Restricted share scheme

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

Directors' remuneration

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

Table 2
Remuneration for the years ended March 31st

	Salary/fees	Annual bonus	Long-term plan	Benefits	Total	
	2015	2015	2015	2015	2015	2014
	£000	£000	£000	£000	£000	£000
Rupert Pennant-Rea	126	-	-	-	126	126
Sir David Bell	38	-	-	-	38	38
John Elkann	38	-	-	-	38	38
Rona Fairhead (retired July 2014)	9	-	-	-	9	38
Philip Hoffman[1] (appointed July 2014)	26	-	-	-	26	-
Philip Mengel (retired January 2014)	-	-	-	-	-	38
John Micklethwait (retired January 2015)	256	-	-	13	269	540
Zanny Minton Beddoes (appointed February 2015)	53	11	-	3	67	-
Andrew Rashbass (retired July 2013)	-	-	-	-	-	142
John Ridding[1]	38	-	-	-	38	6
Sir Simon Robertson	44	-	-	-	44	44
Lady Lynn Forester de Rothschild	38	-	-	-	38	38
Eric Schmidt[2]	-	-	-	-	-	-
Chris Stibbs	420	338	-	16	774	765
Luke Swanson[3]	38	-	-	-	38	38
Total	1,124	349	-	32	1,505	1,851

[1] Paid to The Financial Times Limited/Pearson.
[2] Fees waived.
[3] Paid to Pearson until January 2015.

Directors' accrued pensions

The pensions which would be paid annually on retirement at age 65 based on service with the company to March 31st 2015 are shown below. The table does not include any additional voluntary contributions or any resulting benefits.

Table 3

	Age at March 31st 2015	Accrued pension at March 31st 2015	Accrued pension at March 31st 2014	Change
Zanny Minton Beddoes	47	£112,737	£40,093	£72,644
Chris Stibbs	The company contributed £45,879 to the defined-contribution scheme (2014: £40,759).			

Financial review

Operating result

Operating profit for the Group grew by 2% compared with last year to £60.1m on revenues of £328.3m. Operating margin for the year was 18.3% (2014: 17.8%).

Although revenues for the Group were 1% lower than last year, this masked the strong progress made in areas crucial to the Group's strategy. Advertising revenues fell by £11.7m (12%), mainly because of the continuing decline in print advertising, but this was almost entirely offset by strong growth in revenues in content marketing services (23%) and EIU industry and custom-research businesses (27%).

At operating profit level, the decline in high-margin print advertising continued to have a major effect. This was countered not only by the growth in the businesses noted above but also through another successful year in the Group's strategy to grow the profitability of the circulation of *The Economist*. The strong demand from subscribers for the premium-priced print and digital bundle was a key driver in a 13% year-on-year growth in circulation gross profits. In addition, there was a significant improvement in marketing efficiency during the year with an upskilled team employing more cutting-edge digital techniques. Overall marketing expenditure was lower this year than last, but the circulation team still delivered strong growth in new subscriber starts. The Group also increased investment in new products—including Espresso and our first bilingual app—and digital infrastructure, but kept a tight rein on other costs. Overall, as shown in the profit and loss account (page 31), the costs for marketing, development and administration taken together fell by 5% year on year despite the extra investments.

Profit before tax

Profit before tax grew by 3% to £58.5m. Finance charges decreased by £0.7m, mainly because of higher finance income from the defined-benefit pension scheme valued under FRS 17 principles.

Taxation

The effective rate of taxation for the year was 21.6% (2014: 22.7%). Although the rate of corporation tax in the UK has reduced by 2%, this has been partly offset by the impact of higher US profits taxed at higher rates.

Profit after tax and earnings per share

Profit after tax and basic earnings per share grew by 4% to £45.9m and 183.5p respectively.

Balance sheet

The shareholders' deficit on the Group's balance sheet increased by £21.6m in the year to £26.1m. This mainly stemmed from an increase in the deficit on the defined-benefit pension scheme (see below) as a result of historically low interest rates at this year end. This is a point in time valuation and, as for all companies, can change significantly from one balance-sheet date to the next. The underlying fundamentals and strengths of the Group's balance sheet, however, remain unchanged. The Group has a low level of gearing, holds £47.1m of cash on its balance sheet and its current liabilities include £109.6m of income received in advance from customers, a significant strength. In addition, the Group holds the Economist Complex on its books at a book value of £15.6m, compared with an independently assessed market value of £100.4m.

Net debt increased by £1.7m in the year. The comparison is, however, affected by the significant strengthening of the US dollar to sterling exchange rate from $1.66 at the start to $1.48 by the end. This alone increased net debt by £3.3m compared with the previous year.

Pensions

The Group operates a number of pension schemes. These include the UK defined-benefit plan, which is the only scheme of its type in the Group. At March 31st 2015 the deficit on this plan, valued for accounting purposes under FRS 17 principles, had increased by £21.8m to £31.1m (net of deferred tax). The gross deficit, before taking tax into account, increased by £27.1m to £38.8m. Although assets grew by 13% (£32.3m), this was outweighed by an even greater increase in the scheme's liabilities (22%: £59.3m) mainly caused by the unprecedentedly low discount rates used to value liabilities at the year end. These have fallen from 4.5% last year to 3.4%.

The next triennial actuarial valuation of the fund will take place on January 1st 2016. The last valuation in 2013 showed a gross deficit of £22.8m.

Dividend

The directors continued to maintain a progressive dividend policy during the financial year and carried out their regular assessment of the feasibility of paying special dividends in the light of cashflows, trading conditions, business risks and investment needs. In November 2014 they confirmed that a special dividend of £6.0m should be paid to shareholders. The special dividend (23.8p per share), when added to the interim dividend (45.7p per share), both paid in December 2014, and last year's final dividend (94.0p per share), paid in July 2014, brought the total paid in the year to 163.5p, 0.1p higher than the previous year. This represented a yield of 5.6% based on the year-end share price of £29.00. Dividend cover levels were consistent with last year with total dividends covered 1.1 times by basic earnings per share and the ongoing dividends, excluding the special dividend, by 1.3 times.

Treasury and foreign exchange

The Group's 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 £17.0m at the year end (2014: £15.3m), including a finance lease liability for the Economist Complex. The Group produced positive net cashflows during the year with the increase in net debt largely caused by the revaluation of US-dollar net loan balances.

During the year the Group extended its committed borrowing facilities with Barclays (£40.0m) and RBS (£9.0m) for a further three years to 2020 on favourable terms. It also established significant coterminous uncommitted “accordion” facilities with Barclays (£40.0m) and RBS (£25.0m) and a new uncommitted shelf facility with Pricoa ($120.0m), renewable after three years, to streamline access to funds if needed for investment or other corporate purposes. The committed facility with Barclays incurs non-utilisation fees of 0.4% and, if drawn, will incur interest at LIBOR plus 1.00% as well as some utilisation fees depending on levels drawn. The RBS committed facility incurs non-utilisation fees of 0.5% and, if drawn, will incur interest at LIBOR plus 1.25%. There are no fees associated with the uncommitted accordian facilities from Barclays and RBS. The uncommitted Pricoa shelf facility works such that at any time the amount available to borrow is the difference between the $120m facility value and the existing loan notes issued (currently $85.3m). Rates on the uncommitted shelf are determined by the lender based on market conditions at the time funds are drawn.

At the year end the Group had borrowings of £61.5m (2014: £55.6m). These related to loan notes totalling $85.3m (£57.6m) taken out under the Private Shelf Agreements with Pricoa with the remainder a term loan from Barclays (£4.2m) net of unamortised financing costs. The Pricoa notes were originally taken out to fund the CQ acquisition in 2009 and were repayable between years six and ten after inception. The first tranche of notes became repayable in July 2014 and the Board decided, given favourable long-term rates available in the market and the greater cash flexibility it would create, to refinance them under the new shelf facility described above. At the year end there were $70.8m of notes repayable between July 2015 and 2019 under the original shelf facility at interest rates of 7.72% and 7.93%, and $14.5m of notes drawn under the new shelf facility repayable in July 2022 at an interest rate of 4.29%. The Board will make a decision annually as to whether to refinance each tranche as it expires depending on cash needs and prevailing market conditions. The Barclays term loan bears interest at a rate of LIBOR plus 1.25% and is repayable in instalments by January 2017.

Cash and deposits at March 31st 2015 totalled £47.1m (2014: £42.9m). The Group’s policy is to deposit cash not required as working capital, as soon as practicable, in AAA-rated and AA-rated money-market funds. These funds were earning 0.4% for sterling deposits and 0.1% 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, mainly through the use of forward foreign-exchange contracts and currency options and through funding US acquisitions with US dollar-denominated loans. Foreign-exchange risk is only actively managed on currencies where the net exposure exceeds £3.0m, currency equivalent, per year. The split of net cash balances between dollars, euros, 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 $1.61 (2014: $1.59), which had a limited effect on trading results. It finished the year at $1.48 (2014: $1.66).

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

Cashflow

During the financial year there was a £1.1m cash inflow before debt financing. This was £4.0m lower than 2014. While the 2013-14 cashflow included a special pension contribution, the 2014-15 cashflow includes significant delayed payments on the Canary Wharf property. The cashflow includes £2.6m of additional acquisition payments, including final earnout payments on the Clearstate and TVC acquisitions. The Group’s operating cashflow of £63.5m was 106% of operating profit, which demonstrates the strong cash generation of the operating business.

International Financial Reporting Standards

The Group has prepared this year’s financial statements in accordance with UK generally accepted accounting principles (GAAP). As reported last year, from April 1st 2015, the Group will be adopting International Financial Reporting Standards (IFRS) in the preparation of its consolidated financial statements. This will lead to changes in the Group's accounting policies, results and the presentation of its financial statements.

The Group started its IFRS transition project in 2013. The project is governed by a steering committee and regular updates are provided to the audit committee. The project has entailed a detailed assessment of the impact of IFRS on Group accounting policies and reported results, system changes to capture additional data, training of staff critical to the Group's reporting process as well as defining our IFRS communications strategy.

IFRS do not significantly affect the underlying business performance of the Group, have no impact on cash generated from operations and have little impact on Group operating profit before amortisation of goodwill. The most significant impact on profits under IFRS reporting will be a reduction in the amortisation charge and in the interest expense on the defined-benefit scheme, both of which are non-cash in nature.

Last year, we took steps to ensure that we increased distributable reserves through the capital reduction exercise approved by shareholders. This increase was implemented because different accounting treatments under IFRS, especially for pension funds and foreign-exchange adjustments on international loans, could over time have resulted in a significant reduction of distributable reserves. There are now sufficient distributable reserves to support likely dividend requirements in the medium to long term.

The Group has now completed all the steps needed for full implementation of IFRS including a due diligence process approved by the auditors and the adoption of the required accounting policies with approval from the Board. Our interim results for the six months to September 30th 2015 will be prepared in accordance with IFRS and full audited results and disclosures, as well as a reconciliation between IFRS and UK GAAP, will be made in the report and accounts for the year ended March 31st 2016.

Below is a summary of the main areas of impact on the Group's profit before tax together with indicative estimates of the related amounts:

- **Goodwill and other intangibles**

Under IFRS 3 "Business Combinations" goodwill is no longer amortised and instead is assessed annually for impairment. Goodwill arising on acquisition before April 1st 2014 will not be restated; other intangible assets arising from acquisitions after April 1st 2014 will be separately identified and amortised over their estimated useful lives, often over a shorter period than goodwill has previously been amortised.

As a result of the change, the Group's operating profit will be increased by the amount of goodwill amortisation recorded under UK GAAP (£6.8m in 2015).

IAS 38 "Intangible assets" provides more detailed guidance on intangible assets than UK GAAP. This will result in the reclassification of certain costs as intangible assets, including software development costs, which are currently included within tangible fixed assets in the Group's balance sheet.

- **Employee benefits**

Under IAS 19 "Employee benefits" pensions are charged to the income statement using a different basis of accounting from FRS 17. Net interest is calculated by applying the discount rate to the net defined-benefit obligation and is presented as a finance cost. Under FRS 17, net finance cost is calculated as the difference between the expected return on the defined-benefit plan assets at the start of the year and the interest charge on the opening liabilities of the plan. The adoption of IAS 19 will result in an interest cost when the UK defined-benefit pension scheme is in deficit (cost of £0.4m compared with finance income of £3.7m in 2015).

- **Financial instruments and hedge accounting**

The Group uses forward sales of US dollars and options to hedge its foreign-currency cashflow exposures. Under UK GAAP, these financial instruments are not recognised on the balance sheet. However, under IAS 39 "Financial Instruments", the Group will be required to recognise its derivative financial instruments on the balance sheet at fair value, with changes in fair value being recognised in the income statement. Where hedge accounting is achieved under IAS 39, the income statement impact of the changes in fair value may be postponed and matched to the income statement impact of the underlying hedged exposure. The Group is tracking its key derivatives and is putting in place the required documentation to qualify for hedge accounting. Where hedge accounting cannot be applied under IAS 39's prescriptive rules, changes in market value will be reported in the income statement.

In addition to the above principal areas of impact, a number of other changes will take place upon transition to IFRS, for example in relation to holiday-pay provisions, deferred tax and certain additional balance-sheet disclosures relating to items such as impairment testing. This list should not be taken as a comprehensive or complete indication of the impact that the adoption of IFRS will have on the Group's financial statements, but it is indicative of the major adjustments to its financial reporting. The Group will, during the course of 2016, provide the explanations and presentations that shareholders need to understand the changes in full and will include a full reconciliation of the impact of changes in the 2016 annual report.

Shane Naughton

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

Report on the financial statements

Our opinion

In our opinion, The Economist Newspaper Limited's Group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the company's affairs as at March 31st 2015 and of the Group's profit and cashflows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The Economist Newspaper Limited's financial statements comprise:

- Consolidated balance sheet and company balance sheet as at March 31st 2015;
- Consolidated profit and loss account for the year then ended;
- Consolidated cashflow statement for the year then ended;
- Consolidated statement of total recognised gains and losses for the year then ended;
- Company statement of total recognised gains and losses for the year then ended;
- Reconciliation of movements in total shareholders' deficit for the year then ended;
- the accounting policies; and
- the Notes to the financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgments, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

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

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

Responsibilities for the financial statements and the audit

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

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

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

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

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

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

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

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

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

June 16th 2015

Consolidated profit and loss account

Years ended March 31st

NOTE		2015 £000	2014 £000
1	**Turnover**	**328,269**	**331,545**
	Cost of sales	(98,457)	(95,072)
	Gross profit	**229,812**	**236,473**
	Distribution costs	(33,886)	(34,466)
	Marketing, development and other administrative costs	(128,999)	(136,057)
10	Goodwill amortisation	(6,789)	(6,945)
1	**Operating profit**	**60,138**	**59,005**
	Profit on sale of business	-	297
	Profit on ordinary activities before finance charges	**60,138**	**59,302**
2	Net finance costs	(1,636)	(2,378)
1,3	**Profit on ordinary activities before taxation**	**58,502**	**56,924**
6	Taxation on profit on ordinary activities	(12,612)	(12,945)
	Profit for the financial year	**45,890**	**43,979**
18	**Retained profit for the financial year**	**4,999**	**3,073**

All amounts relate to continuing operations.

Dividends proposed and unpaid at the year end were £24,798,000 (2014: £23,506,000). Dividends paid in the year were £40,891,000 (2014: £40,906,000).

9	**Basic earnings per share (pence)**	**183.5**	**175.8**
9	Diluted earnings per share (pence)	183.0	175.3
7	Dividends paid per share (pence)	163.5	163.4
	Dividend cover (times)	1.1	1.1

Consolidated balance sheet at March 31st

NOTE		2015 £000	2014 £000
	Fixed assets		
10	Intangible assets	103,816	101,587
11	Tangible assets	27,777	27,223
		131,593	**128,810**
	Current assets		
12	Stocks	2,000	2,695
13	Debtors	61,665	61,337
14	Deferred taxation	1,953	1,648
19	Cash at bank and in hand	47,088	42,854
		112,706	**108,534**
15	Creditors: amounts falling due within one year	(74,040)	(81,411)
	Unexpired subscriptions and deferred revenue	(109,595)	(100,330)
	Net current liabilities	**(70,929)**	**(73,207)**
	Total assets less current liabilities	**60,664**	**55,603**
16	Creditors: amounts falling due after more than one year	(53,806)	(48,939)
	Net assets excluding pension and other similar obligations	**6,858**	**6,664**
20	Pension and other similar obligations (net of deferred tax)	(32,999)	(11,183)
1	**Net liabilities**	**(26,141)**	**(4,519)**
	Capital and reserves		
17	Called-up share capital	1,260	1,260
18	Profit and loss account	(27,401)	(5,779)
	Total shareholders' deficit	**(26,141)**	**(4,519)**

The company balance sheet is shown on page 57.

The consolidated financial statements on pages 31-56 were approved by the Board of directors and authorised for issue on June 16th 2015. They were signed on its behalf by:

Rupert Pennant-Rea
Chris Stibbs
Directors

The notes on pages 38-62 form an integral part of these consolidated financial statements.

The Economist Newspaper Limited registered number 236383

Consolidated cashflow statement

Years ended March 31st

NOTE		2015 £000	2014 £000
19	**Net cash inflow from operating activities**	**63,526**	**68,960**
	Returns on investments and servicing of finance		
	Interest received	45	32
	Interest paid	(4,648)	(4,909)
	Finance lease interest paid	(208)	(208)
		(4,811)	(5,085)
	Taxation		
	UK corporation tax paid	(8,983)	(6,876)
	Overseas tax paid	(591)	(2,566)
		(9,574)	(9,442)
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	(3,078)	(3,115)
	Acquisitions and disposals		
	Purchase of subsidiary undertakings	(3,308)	(735)
	Cash received from sale of business	-	38
		(3,308)	(697)
	Equity dividends paid to shareholders		
7	Amounts paid	(40,891)	(40,906)
	Net cash inflow before use of liquid resources and financing	**1,864**	**9,715**
	Management of liquid resources		
19	Cash drawn from/(placed on) short-term deposits	4,479	(12,595)
	Financing		
	Capital element of finance lease payments	(2)	(2)
	Purchase of own shares	(217)	(999)
	Drawdown of unsecured loan facility	36,459	19,000
	Repayment of unsecured loan facility	(37,000)	(22,566)
19	**Increase / (decrease) in cash**	**5,583**	**(7,447)**

Reconciliation of net cashflow to movement in net debt

NOTE		2015 £000	2014 £000
	Increase / (decrease) in cash in the year	**5,583**	**(7,447)**
	Cash (inflow)/outflow from (decrease)/increase in liquid resources	(4,479)	12,595
	Cash outflow from decrease in lease financing	2	2
	Cash outflow from debt financing	541	3,566
	Change in net debt resulting from cashflows	**1,647**	**8,716**
	Other non-cash changes	(23)	(81)
	Exchange translation differences	(3,319)	3,975
	Movement in net debt in the year	(1,695)	12,610
	Net debt brought forward at April 1st	(15,262)	(27,872)
19	**Net debt carried forward at March 31st**	**(16,957)**	**(15,262)**

Cash and deposits at March 31st 2015 amounted to £47,088,000 (2014: £42,854,000).

The notes on pages 38-62 form an integral part of these consolidated financial statements.

Other statements

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

NOTE		2015 £000	2014 £000
	Profit for the financial year	45,890	43,979
	Exchange translation differences arising on consolidation	187	(1,136)
20	Actual return less expected return on pension scheme assets	18,307	(824)
20	Experience loss arising on the pension scheme liabilities	(2,087)	-
20	Changes in assumptions underlying the present value of pension scheme liabilities	(48,871)	8,025
	Actuarial (loss)/gain on other post-retirement benefits	(588)	275
	UK tax attributable to the actuarial loss/(gain)	6,648	(1,570)
	Total recognised gains for the year	**19,486**	**48,749**

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

		2015 £000	2014 £000
	Profit for the year	45,890	43,979
	Dividend paid	(40,891)	(40,906)
	Retained profit	4,999	3,073
18	Other recognised (losses)/gains	(26,591)	5,906
18	Net purchase of own shares	(217)	(999)
18	Exchange translation differences arising on consolidation	187	(1,136)
	Net (increase)/decrease in shareholders' deficit	**(21,622)**	**6,844**
	Opening shareholders' deficit	(4,519)	(11,363)
	Closing shareholders' deficit	**(26,141)**	**(4,519)**

Note of historical cost profits and losses

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

Principal accounting policies

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

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The financial strength of the Group and the company, as explained on pages 26-28, supports the preparation of the financial statements on the going-concern basis.

Basis of consolidation

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

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

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

Turnover

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

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

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

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

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance-sheet date. Transactions in foreign currencies are retranslated into sterling at the rate of exchange ruling at the date of the transaction. Balance sheets of subsidiary undertakings have been translated into sterling at the rates of exchange ruling at the balance-sheet date.

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

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

Share-based payments

The Group awards certain employees entitlements to cash-settled share-based payments in accordance with its long-term incentive scheme arrangements. The fair value of these awards is measured and updated using an appropriate option pricing model. Key assumptions used in calculating the fair value of the awards include the discount rate, the Group's share price volatility, dividend yield, risk-free rate of return and expected option life. These assumptions are set out in note 8. Management regularly performs a true-up of the estimate of the number of awards that are expected to vest. This is dependent on the anticipated number of leavers. In addition to the key assumptions above, the value of certain awards is dependent upon the future profits of the Group and the Group's relative market performance, which management is required to estimate. A liability equal to the portion of the services received is recognised at the current fair value determined at each balance-sheet date.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised as an intangible asset and written off over its useful economic life. Goodwill arising on the acquisition of a foreign entity which has been funded by external borrowings is treated as an asset of the foreign entity and translated at the closing rate. Prior to April 1st 1998, purchased goodwill arising on consolidation was written off to reserves in the year in which it arose, in accordance with the accounting standards then in force.

From April 1st 1998, the provisions of FRS 10 "Goodwill and intangible assets" have been adopted, and such goodwill for new acquisitions is now required to be shown as an asset on the balance-sheet and amortised over its useful economic life. Goodwill arising on acquisitions before April 1st 1998 has been deducted from reserves and is charged to the profit and loss account on disposal or closure of the business to which it relates.

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

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

Stocks and work-in-progress

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

Leased assets

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

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

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

Investments

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

Share schemes

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

Trade debtors

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

Taxation

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

Deferred taxation

Deferred taxation is provided, using the liability method, at the expected applicable rates, on all timing differences between accounting and taxation treatments which are expected to reverse in the foreseeable future. No provision is made for any additional taxation which would arise on the remittance of profits retained, where there is no intention to remit such profits. A deferred tax asset is only recognised to the extent that it is more likely than not that there will be taxable profits from which the future reversal of the timing differences can be deducted.

Unexpired subscriptions and deferred revenue

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

Pension and other post-retirement benefits

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

For the defined-benefit and post-retirement medical schemes, pension-scheme assets are measured using fair values and the liabilities are measured using a projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term to the liability. The pension scheme deficit is recognised in full, net of deferred tax, and presented on the face of the balance sheet.

The movement in the scheme deficit is split between operating and financial items in the profit and loss account and the statement of total recognised gains and losses. The full service cost of the pension provision is charged to operating profit. The net impact of the unwinding of the discount rate on scheme liabilities and the expected return of the scheme assets is charged to other finance costs. Any difference between the expected return on assets and that actually achieved is charged through the statement of total recognised gains and losses. Similarly, any differences that arise from experience or assumption changes are charged through the statement of total recognised gains and losses.

Finance costs

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

Website development costs

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

Tangible fixed assets

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

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

Notes to the financial statements

NOTE 1 Segment information

	Turnover		Operating profit	
	2015	2014	2015	2014
Analysis by business	£000	£000	£000	£000
The Economist Businesses	229,837	232,670	35,688	35,748
The Economist Intelligence Unit	48,306	47,455	12,886	12,147
CQ Roll Call	46,308	47,812	7,261	7,291
Other businesses	3,818	3,608	4,303	3,819
	328,269	331,545	60,138	59,005

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

	Turnover		Profit before tax		Net (liabilities)/assets	
	2015	2014	2015	2014	2015	2014
Analysis by origin of legal entity	£000	£000	£000	£000	£000	£000
United Kingdom	197,197	204,661	39,817	48,533	11,237	44,530
Europe	4,851	5,159	1,261	(601)	(106,912)	(107,393)
North America	112,052	111,000	13,612	8,158	57,061	49,964
South America	36	-	24	-	101	-
Asia	14,133	10,725	3,788	834	12,372	8,380
	328,269	331,545	58,502	56,924	(26,141)	(4,519)

	2015	2014
Turnover by customer location	£000	£000
United Kingdom	60,678	59,609
North America	150,773	152,833
Europe	55,244	59,692
Asia	46,554	43,850
Other	15,020	15,561
	328,269	331,545

NOTE 2 Net finance costs

	2015 £000	2014 £000
Interest receivable and similar income	45	32
Interest payable and similar charges	(5,146)	(5,137)
Other finance income	3,465	2,727
	(1,636)	(2,378)
Interest payable on bank overdrafts and loans	(909)	(662)
Amortisation of issue costs of bank loan	(87)	(81)
Interest payable on other loans	(3,942)	(4,186)
Interest payable on finance lease	(208)	(208)
Interest payable and similar charges	(5,146)	(5,137)
Net return on pension scheme and other post-retirement liabilities	3,465	2,727
Other finance income	3,465	2,727

NOTE 3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following:	2015 £000	2014 £000
Auditor's remuneration		
Audit of the company's financial statements	135	132
Fees payable to the company's auditor and its associates for other services		
Audit of the company's subsidiaries	326	299
Further assurance services	48	173
Tax advice and compliance	130	126
Other services	131	100
Operating lease rentals		
Plant and equipment	129	163
Land and buildings	6,668	7,049
Depreciation and amortisation		
On owned assets	3,185	3,330
On assets held by finance lease	55	55
Amortisation of goodwill	6,789	6,945

NOTE 4 Directors' emoluments

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

NOTE 5 Employees

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

	2015		2014	
	Average	Year-end	Average	Year-end
The Economist Businesses	751	755	729	750
The Economist Intelligence Unit	299	300	308	305
CQ Roll Call	266	255	275	275
	1,316	1,310	1,312	1,330

	2015	2014
Employment costs including executive directors' emoluments	£000	£000
Wages and salaries	91,703	91,084
Social security costs	7,959	7,532
Defined-benefit pension costs	2,353	2,659
Other pension costs	3,544	3,615
	105,559	104,890

Wages and salaries include £1,421,000 (2014: £2,176,000) of restructuring-related costs.

NOTE 6 Taxation on profit on ordinary activities

	2015	2014
The taxation charge based on the result for the year is made up as follows:	£000	£000
UK corporation tax at 21% (2014: 23%)	9,221	12,553
Overseas taxation	2,729	820
UK deferred taxation	252	933
Overseas deferred taxation	1,559	391
	13,761	14,697
Adjustments in respect of previous years		
UK corporation tax	(389)	(743)
Overseas taxation	(148)	(825)
UK deferred taxation	198	(105)
Overseas deferred taxation	(810)	(79)
	12,612	12,945

Included within the deferred tax charge for the year is an FRS 17 charge of £91,000 (2014: £446,000). The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 21% (2014: 23%, lower).

NOTE 6 Taxation on profit on ordinary activities (continued)

Current tax rate reconciliation	2015 %	2014 %
UK tax rate	21.0	23.0
Expenses not deductible for tax purposes	1.6	(0.8)
Capital allowances in excess of depreciation	(0.1)	0.1
Movement in provisions	(0.5)	(0.5)
Overseas tax rates	1.6	(0.4)
Timing of goodwill amortisation	-	1.0
Overseas tax losses	(0.9)	-
FRS 17 pension movement	(0.1)	0.1
Impact of Group financing	(2.8)	(3.2)
Other	0.6	4.2
Adjustments to tax charge in respect of previous years	(0.9)	(2.8)
Current tax rate reflected in earnings	19.5	20.7

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

NOTE 7 Dividends

Cash dividends paid	2015 £000	2014 £000
Final dividend for previous year of 94.0p per share (2014: 88.7p per share)	23,506	22,216
First interim paid of 45.7p per share (2014: 43.0p per share)	11,432	10,758
Special dividend paid of 23.8p per share (2014: 31.7p per share)	5,953	7,932
	40,891	40,906

All shareholders other than holders of the trust shares (see note 17) receive the above dividend per share. Dividends amounting to £311,000 (2014: £270,000) in respect of the company's shares held by the ESOP (note 18) have been deducted in arriving at the aggregate of dividends paid.

Dividends proposed in respect of the year	2015 £000	2014 £000
Interim dividend paid of 45.7p per share (2014: 43.0p per share)	11,432	10,758
Special dividend paid of 23.8p per share (2014: 31.7p per share)	5,953	7,932
Final dividend proposed of 99.2p per share (2014: 94.0p per share)	24,798	23,506
	42,183	42,196

The directors are proposing a final dividend in respect of the financial year ending March 31st 2015 of 99.2p. Dividends amounting to £329,000 in respect of the company's shares held by the ESOP have been deducted in arriving at the total dividend proposed of £42,183,000. The proposed final dividend is subject to approval by shareholders and has not been recognised as a liability in these financial statements.

NOTE 8 Share-based payments

The Group has recorded total liabilities at March 31st 2015 of £2,068,000 (2014: £2,555,000), of which £528,000 (2014: £1,241,000) relates to awards which had vested at the year end. The total charge recognised with respect to cash-settled, share-based payment transactions was £749,000 (2014: £299,000 credit).

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

Executive long-term plans commencing April 1st 2012 and 2013

Units are granted to executive directors and senior employees. These awards are taken in cash form only after three years. The value of the award is based on share price, the earnings per share compound annual growth rate and the Group's total shareholder return (TSR) compared with a group of selected comparator companies over the period of the scheme.

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

	At March 31st 2015	At March 31st 2014
Weighted average share price (£)	29.28	27.26
Weighted average exercise price (£)	26.00	25.51
Expected volatility (%)	26	30
Expected life (months)	12	18
Risk-free rate (%)	0.3	0.6
Expected dividend yield (%)	4.6	4.5
Forfeiture rate (%)	10.0	5.0

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

During the year, no long-term plan units (2014: 344,000) were granted with a weighted average fair value at March 31st of £nil (2014: £4.84). No long-term plan units (2014: nil) vested at March 31st with a weighted average fair value at March 31st of £nil (2014: £nil).

NOTE 8 Share-based payments (continued)

Restricted share scheme

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 value of the award is based on the share price and dividends paid during the vesting period.

	At March 31st 2015		At March 31st 2014	
Restricted share scheme	No. of options	Weighted average share price (£)	No. of options	Weighted average share price (£)
Outstanding at the beginning of the year	69,000	29.89	99,000	28.12
Granted during the year	51,000	30.31	10,000	27.60
Lapsed during the year	(7,500)	(29.61)	(37,500)	(28.08)
Exercised during the year	(35,750)	(30.62)	(2,500)	(28.55)
Outstanding at the end of the year	76,750	31.05	69,000	29.89
Exercisable at the year end	15,000	30.95	35,570	30.62

The weighted average remaining contractual life for outstanding options at March 31st 2015 was 16 months (2014: 12 months).

NOTE 9 Earnings per share

Basic earnings per share are calculated on earnings of £45,890,000 (2014: £43,979,000) and the 25,200,000 ordinary and special shares in issue (2014: 25,200,000) less those held by the ESOP, being on average 194,000 shares (2014: 177,000), resulting in a weighted average number of shares of 25,006,000 (2014: 25,023,000). Normalised earnings per share, before non-operating exceptional items, is based on earnings of £45,890,000 (2014: £43,682,000).

	2015			2014		
	Earnings £000	Weighted average number of shares 000s	Earnings per share pence	Earnings £000	Weighted average number of shares 000s	Earnings per share pence
Basic earnings per share	45,890	25,006	183.5	43,979	25,023	175.8
Adjustment in respect of non-operating exceptional items						
- Profit on sale of business	-	-	-	(297)	25,023	(1.2)
- Attributable taxation	-	-	-	-	25,023	-
Normalised earnings per share	45,890	25,006	183.5	43,682	25,023	174.6

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

	2015	2014
Weighted average number of shares (000s)	25,006	25,023
Effect of dilutive share options (000s)	77	69
Weighted average number of shares (000s) for diluted earnings	25,083	25,092

NOTE 10 Intangible fixed assets

	Goodwill £000
Cost	
At April 1st 2014	133,781
Additions (note 24)	1,202
Adjustment	(777)
Exchange translation differences	11,760
At March 31st 2015	145,966
Accumulated amortisation	
At April 1st 2014	32,194
Charge for the year	6,789
Exchange translation differences	3,167
At March 31st 2015	42,150
Net book value at March 31st 2015	103,816
Net book value at March 31st 2014	101,587

The cost of goodwill has reduced following an adjustment to the deferred consideration payable on the aquisition of Bazian Limited.

NOTE 11 Tangible fixed assets

Group	Leasehold buildings Long £000	Leasehold buildings Short £000	Plant and machinery £000	Equipment £000	Total £000
Cost					
At April 1st 2014	35,049	5,438	2,779	32,397	75,663
Additions	-	492	-	2,776	3,268
Disposals	-	-	-	(84)	(84)
Exchange translation differences	581	257	-	989	1,827
At March 31st 2015	35,630	6,187	2,779	36,078	80,674
Accumulated depreciation					
At April 1st 2014	15,758	2,018	2,779	27,885	48,440
Provided during year	180	406	-	2,654	3,240
Disposals	-	-	-	(84)	(84)
Exchange translation differences	178	221	-	902	1,301
At March 31st 2015	16,116	2,645	2,779	31,357	52,897
Net book value at March 31st 2015	19,514	3,542	-	4,721	27,777
Net book value at March 31st 2014	19,291	3,420	-	4,512	27,223

The directors have been advised that the market value of the Economist Complex at March 31st 2015 was £100,400,000 (2014: £88,500,000); the book value is £15,556,000 (2014: £15,759,000) and the balance-sheet value is £13,044,000 (2014: £13,246,000) after deducting the finance lease payable. Included within the cost of leasehold buildings is capitalised interest of £2,312,500 (2014: £2,312,500).

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

	2015 £000	2014 £000
Cost or valuation	6,798	6,798
Aggregate depreciation	(1,574)	(1,519)
Net book value	5,224	5,279

NOTE 12 Stocks

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

NOTE 13 Debtors

	2015	2014
Due within one year	£000	£000
Trade debtors	40,766	41,895
Other debtors	5,074	4,306
Tax recoverable	-	1,490
Prepayments and accrued income	15,825	13,646
	61,665	61,337

Other debtors includes loan notes amounting to £2,637,000 (2014: £2,361,000) received in part consideration for the sale of the Group's majority interest in the trade and assets of CFO Publishing Corporation (USA). There are two loan notes for $1,200,000 and $2,700,000 bearing interest at 15% and 5% respectively. The loan notes are redeemable on January 11th 2017 and July 11th 2017.

NOTE 14 Deferred taxation

Summary of movements in net deferred tax asset	£000
At April 1st 2014	1,648
Charge to the profit and loss account	(1,108)
Credited to other recognised gains for the year	82
Exchange difference	(15)
At March 31st 2015	607

The effect of the change in tax rates is to reduce the deferred tax asset by £64,000 (2014: £151,000).

Analysed as:

	2015	2014
	£000	£000
Deferred tax asset	1,953	1,648
Deferred tax liability	(1,346)	-
	607	1,648

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

	2015	2014
	£000	£000
Excess of depreciation over capital allowances	639	576
Loss relief	609	385
Other timing differences	(641)	687
	607	1,648

The Group has total accumulated trading losses of £2,746,000 (2014: £4,489,000) in Asia, which have been recognised (2014: £3,474,000 not recognised).

NOTE 14 Deferred taxation (continued)

A deferred tax asset of £609,000 (2014: £385,000) has been recognised for carried-forward losses in the United States and Asia on the basis that forecast profits in those regions against which the tax asset can be recovered will arise.

Changes to the UK main corporation tax rate from 23% (effective on April 1st 2013), to 21% (effective from April 1st 2014) and to 20% (effective from April 1st 2015) were substantively enacted July 2nd 2013. 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 15 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Bank loans and overdrafts (note 16)	10,238	9,176
Trade creditors	14,580	14,323
Other creditors including taxation and social security	25,088	29,190
Accruals	24,134	28,722
	74,040	81,411
Other creditors including taxation and social security comprise:		
Corporation tax	10,023	10,983
Deferred tax liability	1,346	-
Other taxation and social security	1,867	2,438
Other creditors	11,852	15,769
	25,088	29,190

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

	2015 £000	2014 £000
Finance leases	2,511	2,512
7.93% unsecured loan note 2019-20	11,206	12,429
7.72% unsecured loan note 2019-20	26,893	29,833
4.29% unsecured loan note 2022-23	9,766	-
Term loan	3,430	4,165
	53,806	48,939

Maturity of debt

	2015 £000	2014 £000
In one year or less, or on demand	10,238	9,176
In more than one year, but not more than two years	12,933	9,176
In more than two years, but not more than five years	28,596	28,754
In more than five years	9,766	8,497
	61,533	55,603

The Group has bank loans and loan notes of £61,533,000 as at March 31st 2015 (2014: £55,603,000). In December 2014, the Group extended its revolving credit facility of £49,000,000. This facility is unsecured and expires after five years and was undrawn at March 31st 2015. The Group agreed coterminous uncommitted accordion facilities of £65,000,000. The Group also has a £4,165,000 term loan which is repayable between July 2015 and January 2017, as well as UK overdraft facilities which are subject to review in January 2017.

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

The Group entered into a ten-year committed loan note arrangement in August 2009 to fund the acquisition of Congressional Quarterly. The loan notes are repayable annually in equal instalments from the fifth to the tenth year after inception with the first instalment of $14,167,000 repaid in July 2014. The unsecured loan notes were drawn down in two tranches and are stated net of unamortised issue costs of £352,000 (2014: £433,000). These costs, together with the interest expense, are all allocated to the profit and loss account over the ten-year term of the facility at a constant carrying amount. In July 2014, the Group entered into an uncommitted shelf facility for $120,000,000 renewable in 2017, and drew down $14,500,000 on the facility which is repayable in 2022-23. The facility, with Pricoa, works such that at any time the amount available to borrow is the difference between $120,000,000 and existing loan notes issued (currently $85,300,000). The US-dollar denominated loan notes were valued at the closing exchange rate and resulted in a loss of £6,449,000 (2014: gain of £4,913,000).

	2015	2014
Maturity of finance leases	£000	£000
Future minimum payments under finance leases were as follows:		
Within one year	1	1
In more than one year, but not more than two years	2	2
In more than two years, but not more than five years	3	3
After five years	2,506	2,507
	2,512	2,513

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

NOTE 17 Called up share capital

	Authorised		Issued and fully paid	
At March 31st 2015 and 2014	Number	£000	Number	£000
"A" special shares of 5p each	1,575,000	79	1,260,000	63
"B" special shares of 5p each	1,575,000	79	1,260,000	63
Ordinary shares of 5p each	36,850,000	1,842	22,680,000	1,134
Trust shares of 5p each	100	-	100	-
		2,000		1,260

FRS 4, "Capital Instruments", requires the Group to provide a summary of the rights of each class of shares. This summary can be found in the directors' report on page 19. The trust shares participate in a distribution of capital only to a limited extent and accordingly are not treated as equity share capital.

On July 17th 2014, the capital of the company was increased by one deferred share with a nominal value of £1 which was issued at a premium of £107,385,934 being the amount standing to the credit of the other reserve of the company at March 31st 2014, representing an unrealised profit of the company. On the same date, the capital of the company was reduced by the cancellation of the deferred share of £1 and the related share premium account following a solvency statement made by the directors in accordance with section 643 of the Companies Act 2006.

NOTE 18 Reserves

Consolidated profit and loss account	2015 £000	2014 £000
At April 1st	(5,779)	(12,623)
Retained profit for the year	4,999	3,073
Other recognised (losses)/gains relating to the year	(26,591)	5,906
Net purchase of own shares	(217)	(999)
Exchange translation differences arising on consolidation	187	(1,136)
At March 31st	(27,401)	(5,779)

The cumulative goodwill written off to profit and loss reserves by the Group is £17,943,000 (2014: £17,943,000) and arises mainly from the purchase of Business International in 1986, CFO in 1988 and Roll Call, Inc in 1992 and 1993. A portion of the goodwill relating to the acquisition of CFO Publishing Corporation (USA) in 1988, and previously written off to reserves, was credited following the sale of the business in 2010.

At March 31st 2015, there were 201,563 shares (2014: 193,407) of 5p each with a nominal value of £10,078 (2014: £9,670) in The Economist Newspaper Limited (own shares) held by the ESOP. The ESOP provides a limited market for ordinary shares of The Economist Newspaper Limited to be bought and sold. Employees of the Group (and their spouses and children) can apply to buy shares from the ESOP twice a year at the latest indicative share valuation, and all 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 2015, 76,750 (2014: 69,000) of the shares are under option to employees and have been conditionally granted to them. The interest in own shares, included within reserves, is as follows:

	£000
At April 1st 2014	2,302
Net purchase of own shares	217
At March 31st 2015	2,519

NOTE 19 Notes to the consolidated cashflow statement

Reconciliation of operating profit to net cash inflow from operating activities	2015 £000	2014 £000
Operating profit	60,138	59,005
Depreciation of tangible fixed assets	3,240	3,385
Goodwill amortisation	6,789	6,945
Loss on disposal of tangible fixed assets	-	67
Decrease/(increase) in stocks	803	(606)
Decrease in debtors	2,901	3,657
(Decrease)/increase in creditors	(9,319)	4,631
Increase/(decrease) in unexpired subscriptions and deferred revenue	948	(980)
Decrease in provisions	(1,974)	(7,144)
Net cash inflow from operating activities	63,526	68,960

Analysis of net debt	At April 1st 2014 £000	Cashflow £000	Debt £000	Other non-cash changes £000	Exchange movement £000	At March 31st 2015 £000
Cash at bank and in hand	10,083	5,583	-	-	1,116	16,782
Cash on short-term deposits	32,771	(4,479)	-	-	2,014	30,306
Total cash balances	42,854	1,104	-	-	3,130	47,088
Debt due within one year	(9,176)	-	9,000	(9,046)	(1,016)	(10,238)
Debt due after one year	(46,427)	-	(8,459)	9,024	(5,433)	(51,295)
Finance leases due within one year	(1)	2	-	(2)	-	(1)
Finance leases due after one year	(2,512)	-	-	1	-	(2,511)
Net debt	(15,262)	1,106	541	(23)	(3,319)	(16,957)

At March 31st 2015 cash balances included £3,226,900 (2014: £3,544,000) of deposits collected from tenants of the Group's property business. This cash is only accessible in the event of the tenant defaulting.

NOTE 20 Pension and other post-retirement obligations

Analysis of pension and other post-retirement obligations (net of deferred tax)	2015 £000	2014 £000
UK Group scheme	(31,063)	(9,270)
Post-retirement benefits	(1,936)	(1,913)
	(32,999)	(11,183)

The Group operates pension schemes for most of its employees throughout the world, which are funded by the Group. The main scheme for UK staff who joined before 2003 (the UK Group scheme) provides funded defined benefits. The scheme has a defined-contribution underpin and provides for those employees who joined before 2003, for the better of defined-benefit and defined-contribution benefits. Defined-contribution schemes are operated for UK and non-UK staff. In addition, the Group provides unfunded, unapproved pension arrangements in respect of certain former employees. The assets of each scheme are held in separate trustee-administered funds with independent qualified actuaries or other professionals acting as advisers. Actuarial valuations are undertaken at regular intervals.

The UK Group scheme has been closed to new members since January 1st 2003; a defined-contribution scheme is available to new joiners. As a result, under the projected unit credit method, the current service cost is expected to increase as members approach retirement. The company contributed 18.3% of pensionable salaries to fund ongoing service costs during the year and £350,000 to fund scheme expenses. The company also contributed £1,920,000 (2014: £6,920,000) in the year to repay the actuarial deficit. The 2014 amount included a £5,000,000 lump-sum payment. The best estimate of contributions expected to be paid to the scheme in 2015-16 is £4,250,000.

The most recent full actuarial valuation of the UK defined-benefit scheme was at January 1st 2013. This showed the market value of assets of the main UK scheme to be £221,570,000. The actuarial valuation of pension liabilities was £244,356,000, leaving a deficit of £22,786,000. The actuarial method used for the valuation was the projected unit credit method. The foregoing liabilities represent the Scheme Specific Funding Technical Provisions as agreed by the Group and the trustees. The SSF level of funding was 91%. The January 2013 valuation was used as a basis for determining the ongoing company funding rate, effective August 7th 2013.

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

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

NOTE 20 Pension 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 2015. The major assumptions used to determine this valuation are as follows:

	2015 %	2014 %	2013 %
Retail price inflation	3.0	3.4	3.4
Increase in pensionable salaries	3.0	3.4	3.4
Increase in pensions in payment	3.0	3.2	3.3
Increase in deferred pensions	2.4	2.8	2.8
Discount rate for scheme liabilities	3.4	4.5	4.4

The mortality assumptions used in the valuation of the scheme are summarised in the table below, and have been selected to reflect the characteristics and the experience of the membership of the plan. This has been done by using SAPS1 light tables with longevity projection based on CMI 2011 and the year in which the member was born, with a 1% per-annum underpin to future improvements (2014: SAPS1 light tables, CMI 2011, year of birth, 1% underpin).

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

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

	Long-term rate of return expected at March 31st 2015 %	Value at March 31st 2015 £000	Long-term rate of return expected at March 31st 2014 %	Value at March 31st 2014 £000	Long-term rate of return expected at March 31st 2013 %	Value at March 31st 2013 £000
Equities	6.50	159,961	7.45	145,149	7.35	139,667
Government and corporate bonds	2.50	87,892	3.72	79,217	3.33	70,712
Property	5.50	37,920	6.45	29,127	6.85	26,222
Other	2.10	2,827	3.15	2,857	2.47	2,467
Total market value of assets		288,600		256,350		239,068
Present value of scheme liabilities		(327,429)		(268,084)		(267,684)
Deficit in the scheme		(38,829)		(11,734)		(28,616)
Related deferred tax asset		7,766		2,464		6,582
Net pension deficit		(31,063)		(9,270)		(22,034)

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

Reconciliation of fair value of scheme assets	2015 £000	2014 £000
April 1st	256,350	239,068
Expected return on scheme assets	15,703	14,677
Actuarial gain/(loss)	18,307	(824)
Employee contributions	539	581
Disbursements	(6,545)	(6,581)
Contributions paid by employer	4,246	9,429
March 31st	288,600	256,350

There are no scheme assets invested in the company.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed-interest investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £34,010,000 (2014: £13,853,000).

Reconciliation of present value of scheme liabilities	2015 £000	2014 £000
April 1st	(268,084)	(267,684)
Current service cost	(2,353)	(2,659)
Employee contributions	(539)	(581)
Interest cost	(12,040)	(11,766)
Disbursements	6,545	6,581
Actuarial (loss)/gain	(50,958)	8,025
March 31st	(327,429)	(268,084)

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%	9.5%
Pensionable salaries	0.5%	1.8%
Pensions in payment	0.5%	7.6%
Revaluation rate of deferred pensions	0.5%	2.3%
Discount rate	0.5%	9.6%

If the average expected age of death of pensioners lengthened by one year, the liabilities of the scheme would increase by 3.2% (2014: 2.8%).

Analysis of the amount charged to operating profit	2015 £000	2014 £000
Current service cost	2,353	2,659

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

Analysis of the amount credited to other finance income	2015 £000	2014 £000
Expected return on pension scheme assets	15,703	14,677
Interest on pension scheme liabilities	(12,040)	(11,766)
Net income	3,663	2,911

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

History of experience gains and losses

Difference between the actual and expected return on scheme assets	2015	2014	2013	2012	2011
Amount (£000)	18,307	(824)	12,986	(2,789)	2,621
Percentage of scheme assets	6%	0%	5%	(1%)	1%
Experience (losses)/gains on scheme liabilities					
Amount (£000)	(2,087)	-	(538)	999	58
Percentage of the present value of the scheme liabilities	(1%)	0%	0%	0%	0%
Total actuarial (loss)/gain recognised in the statement of total recognised gains and losses					
Amount (£000)	(32,651)	7,201	(20,183)	(32,474)	6,164
Percentage of the present value of the scheme liabilities	(10%)	3%	(8%)	(14%)	3%

Since the adoption of FRS 17 in 2006 a cumulative net loss before taxation of £76,904,000 has been charged through the statement of total recognised gains and losses in respect of actuarial revaluations of the pension scheme.

Other post-retirement benefits

The Group provides post-retirement medical benefits to certain former employees. At March 31st 2015, 48 retired and former employees (2014: 51) were eligible to receive benefits. As at March 31st 2015 the Group estimated the present value of its accumulated post-retirement medical benefits obligation to be £1,936,000 (2014: £1,913,000), net of deferred taxation. These liabilities were confirmed by a qualified independent actuary. The principal assumptions used in estimating this obligation are healthcare premium cost escalation of 5.0% per year (2014: 5.35%) and a discount rate to represent the time value of money of 3.35% (2014: 4.50%). Actual premiums paid are being set against this provision, which is periodically assessed for adequacy.

NOTE 21 Financial commitments

Operating leases	2015	2014
Land and buildings, leases expiring	£000	£000
Within one year	472	767
Between two and five years	743	1,513
After five years	6,245	5,139
	7,460	7,419

Plant and equipment, leases expiring		
Within one year	28	16
Between two and five years	90	76
	118	92

NOTE 22 Capital commitments and contingent liabilities

At March 31st 2015, there was £597,000 capital expenditure contracted for but not provided in the financial statements (2014: £119,000). There are contingent Group liabilities in respect of legal claims, indemnities, warranties and guarantees in relation to former businesses. None of these claims is expected to result in a material loss to the Group.

NOTE 23 Related party transactions

The Financial Times Limited holds 50% of the issued share capital in the company and is entitled to appoint six out of a total of 13 places for directors on the company's Board. The Financial Times Limited is a wholly owned subsidiary of Pearson plc. The Group sold goods and services to Pearson plc and subsidiary companies to a total value of £244,000 (2014: £230,000) in the normal course of trade during the year, and acquired goods and services to a total value of £350,000 (2014: £365,000), excluding director's fees described on page 25. The aggregate balances outstanding with these companies as at March 31st 2015 were £26,000 (2014: £nil) due to the Group and £41,000 (2014: £30,000) due from the Group.

NOTE 24 Acquisitions

Acquisition of Federal News Service (FNS)

On December 1st 2014 the Group acquired the trade and assets of FNS for consideration of $1,489,000 (£986,000). The following table sets out the book values for the identifiable assets and liabilities acquired and their fair value to the Group:

	2015 £000
Debtors	68
Total assets	68
Creditors	
Creditors: amounts falling due within one year	(64)
Deferred revenue	(143)
Net liabilities acquired	(139)
Goodwill	1,202
Consideration	1,063
Consideration satisified by:	
Cash consideration	986
Related costs of acquisition	77
	1,063
Net cash outflow in respect of the acquisition comprised:	
Cash consideration and acquisition costs	1,063

All the provisional fair values included above are based on management's best estimate at the date of preparation of the financial statements. For the period since the date of the acquisition, FNS has generated £437,000 revenue, £184,000 costs and an operating gain of £253,000, after £21,000 goodwill amortisation. Goodwill is reviewed where there is an indication of impairment. Given the performance of FNS since its acquisition, no impairment is required.

NOTE 25 Derivative financial instruments

The Group enters into forward exchange contracts and foreign-currency option contracts to mitigate US dollar currency exposures. The Group does not recognise the fair value of these derivative instruments on the balance sheet. During the year, the Group entered into 13 (2014: 13) forward exchange contracts and 13 (2014: 13) option contracts. The value of forward contracts outstanding at the year end is a liability of £1,248,000 (2014: £687,000 asset). The value of the option contracts at the year end is a liability of £1,100,000 (2014: £440,000 asset).

Company balance sheet at March 31st

NOTE		2015 £000	2014 £000
	Fixed assets		
26	Tangible assets	6,555	5,966
26	Investments	283,277	284,054
		289,832	**290,020**
	Current assets		
26	Stocks	484	604
26	Debtors: due after one year	187,036	163,664
26	Debtors: due within one year	39,274	39,517
26	Deferred taxation	1,262	1,512
	Cash at bank and in hand	17,319	16,897
		245,375	**222,194**
26	Creditors: amounts falling due within one year	(225,445)	(204,236)
	Unexpired subscriptions and deferred revenue	(27,200)	(25,667)
	Net current liabilities	**(7,270)**	**(7,709)**
	Total assets less current liabilities	**282,562**	**282,311**
26	Provisions for liabilities and charges	(1,354)	(1,263)
26	Creditors: amounts falling due after more than one year	(145,253)	(126,839)
	Net assets	**135,955**	**154,209**
	Capital and reserves		
17	Called-up share capital	1,260	1,260
26	Profit and loss account	134,695	152,949
	Equity shareholders' funds	**135,955**	**154,209**

The financial statements were approved by the Board of directors and authorised for issue on June 16th 2015. They were signed on its behalf by:

Rupert Pennant-Rea
Chris Stibbs
Directors

Company statement of total recognised gains and losses

Years ended March 31st

	2015 £000	2014 £000
Profit for the financial year	23,318	120,672
Exchange translation differences arising on foreign currency net investment hedge	(35)	66
Actuarial (loss)/gain on other post-retirement benefits	(536)	165
UK deferred tax attributable to the actuarial loss/(gain)	107	(35)
Total recognised gains for the year	**22,854**	**120,868**

NOTE 26 Notes to company balance sheet

Tangible fixed assets

Cost	Leasehold buildings: short £000	Plant and machinery £000	Equipment £000	Total £000
At April 1st 2014	2,936	974	21,370	25,280
Additions	-	-	1,937	1,937
Disposals	-	-	(1)	(1)
At March 31st 2015	2,936	974	23,306	27,216
Accumulated depreciation				
At April 1st 2014	223	974	18,117	19,314
Provided during year	198	-	1,150	1,348
Disposals	-	-	(1)	(1)
At March 31st 2015	421	974	19,266	20,661
Net book value at March 31st 2015	2,515	-	4,040	6,555
Net book value at March 31st 2014	2,713	-	3,253	5,966

NOTE 26 Notes to company balance sheet (continued)

Investments

Cost and net book value	Shares in Group companies £000
At April 1st 2014	284,054
Adjustment	(777)
At March 31st 2015	283,277

The cost of investments has decreased following an adjustment to the deferred consideration payable on the acquisition of Bazian Limited.

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

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

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

NOTE 26 Notes to company balance sheet (continued)

Stocks	2015 £000	2014 £000
Raw materials	460	580
Finished goods	24	24
	484	604

Debtors Due after one year	2015 £000	2014 £000
Amounts owed by Group undertakings	187,036	163,664

Debtors owed by Group undertakings includes an amount of £167,752,000 (2014: £149,051,000) which bears interest at 5.8% (2014: 5.9%) per annum.

Due within one year	2015 £000	2014 £000
Trade debtors	13,146	14,505
Amounts owed by Group undertakings	20,291	20,025
Other debtors	1,204	527
Prepayments and accrued income	4,633	4,460
	39,274	39,517

Summary of movements in deferred tax asset	£000
At April 1st 2014	1,512
Adjustments to tax charge in respect of previous year	(197)
Charge to the profit and loss account	(76)
Credited to other recognised gains for the year	82
Effect of changes in tax rates	(59)
At March 31st 2015	1,262

Assets recognised for deferred taxation under the liability method are:	2015 £000	2014 £000
Excess of depreciation over capital allowances	232	287
Post-retirement benefits	449	375
Other timing differences	581	850
	1,262	1,512

NOTE 26 Notes to company balance sheet (continued)

Creditors: amounts falling due within one year	2015 £000	2014 £000
Bank loans and overdrafts	10,238	9,176
Trade creditors	7,073	5,504
Amounts owed to Group undertakings	188,427	160,734
Other creditors including taxation and social security	7,175	11,613
Accruals	12,532	17,209
	225,445	204,236

Other creditors including taxation and social security comprise:		
Corporation tax	1,059	3,226
Other taxation and social security	1,481	1,464
Other creditors	4,635	6,923
	7,175	11,613

Creditors: amounts falling due after more than one year	2015 £000	2014 £000
7.93% unsecured loan note 2019-20	11,206	12,429
7.72% unsecured loan note 2019-20	26,893	29,832
4.29% unsecured loan note 2022-23	9,766	-
Term loan	3,430	4,165
Amounts owed to Group undertakings	93,958	80,413
	145,253	126,839

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

Maturity of unsecured bank loans and overdrafts		
In one year or less, or on demand	10,238	9,176
In more than one year, but not more than two years	12,933	9,176
In more than two years, but not more than five years	28,596	28,754
In more than five years	9,766	8,497
	61,533	55,603

The company has bank loans and loan notes of £61,533,000 as at March 31st 2015 (2014: £55,603,000). In December 2014, the Group extended its revolving credit facility of £49,000,000. This facility is unsecured and expires after five years and was undrawn at March 31st 2015. The company also established a coterminous uncommitted accordion facility of £65,000,000. The company also has a £4,165,000 term loan which is repayable between July 2015 and January 2017. The Group also has UK overdraft facilities which are subject to review in January 2017.

The company entered into a ten-year committed loan note arrangement in August 2009 to fund the acquisition of Congressional Quarterly. The loan notes are repayable annually in equal instalments from the fifth to the tenth year after inception with the first instalment of $14,167,000 repaid in July 2014. The unsecured loan notes were drawn down in two tranches and are stated net of unamortised issue costs of £352,000 (2014: £433,000). These costs, together with the interest expense, are all allocated to the profit and loss account over the ten-year term of the facility at a constant carrying amount. In July 2014, the company entered into an uncommitted shelf facility for $120,000,000, renewable in 2017, and drew down $14,500,000 on the facility which is repayable in 2022-23. The facility, with Pricoa, works such that at any time the amount available to borrow is the difference between $120,000,000 and existing loan notes issued (currently $85,300,000). The US-dollar denominated loan notes were valued at the closing exchange rate and resulted in a loss of £6,449,000 (2014: gain of £4,913,000).

NOTE 26 Notes to company balance sheet (continued)

Provisions for liabilities and charges	Provisions for post-retirement benefits £000
At April 1st 2014	1,263
Charge to the profit and loss account	90
Charge to the statement of recognised gains and losses	101
Utilised in year	(100)
At March 31st 2015	1,354

Pensions

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

Reserves: profit and loss account	2015 £000	2014 £000
At April 1st	152,949	73,986
Profit for the financial year	23,318	120,672
Dividends	(40,891)	(40,906)
Net purchase of own shares	(217)	(999)
Other recognised (losses)/gains relating to the year	(464)	196
At March 31st	134,695	152,949

The directors have taken advantage of the exemption under section 408 of the Companies Act 2006 and have not presented a profit and loss account for the company alone. The company's profit after tax for the financial year amounted to £23,318,000 (2014: £120,672,000).

Share-based payments

The company has recorded total liabilities at March 31st of £1,386,000 (2014: £1,701,000). Refer to Note 8 for further details of the share-based incentive schemes.

Financial commitments Operating leases	2015 £000	2014 £000
Land and buildings, leases expiring		
Within one year	256	387
Between two and five years	201	127
After five years	1,202	1,202
	1,659	1,716
Plant and equipment, leases expiring		
Within one year	13	5
Between two and five years	32	8
	45	13

At March 31st 2015, there was £nil capital expenditure contracted for but not provided in the financial statements (2014: £119,000). The company has guaranteed certain bank overdrafts and property leases of its subsidiaries and the bank overdraft of the Group's employee share ownership plan trustee company. The annual cost of property leases guaranteed by the company is currently £667,000 (2014: £619,000) per year.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of The Economist Newspaper Limited will be held at the British Academy of Film and Television Arts, 195 Piccadilly, London W1J 9LN on Thursday July 16th 2015 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 2015.
2. To declare a final dividend of 99.2 pence per share in respect of the year ended March 31st 2015 to all "A" Special, "B" Special and ordinary shareholders on the company's register of members at the close of business on June 16th 2015.
3. To reappoint PricewaterhouseCoopers LLP as the company's auditors to hold office until the conclusion of the next general meeting at which accounts are laid before the company.
4. To authorise the directors to fix the remuneration of the auditors.

By order of the Board
Oscar Grut
Secretary

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

June 16th 2015

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

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

NOTES