The Economist Group

Annual report 2012

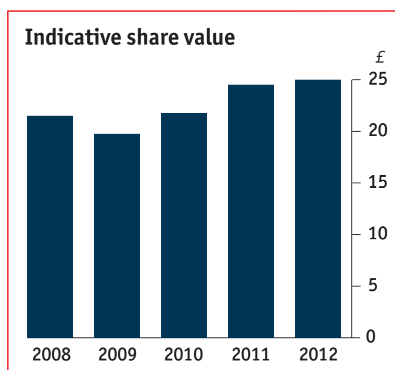
ANNUAL REPORT

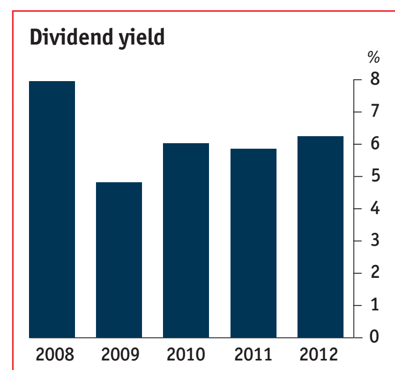
2 Five-year summary
3 Group overview
4 From the chairman
5 From the chief executive
6 Editorial review
7 Digital strategy
9 Economist Digital
10 Economist Intelligence Unit
11 Americas
12 Asia
13 Continental Europe, Middle East and Africa (CEMEA)
14 United Kingdom
15 CQ Roll Call

REPORT AND ACCOUNTS

20 Directors
21 Trustees, Board and management committees
22 Directors' report
26 Directors' report on remuneration
29 Financial review
31 Independent auditors' report
32 Consolidated profit and loss account
33 Consolidated balance sheet
34 Consolidated cashflow statement
35 Other statements
36 Principal accounting policies
39 Notes to the financial statements
64 Notice of annual general meeting

FIVE-YEAR SUMMARY





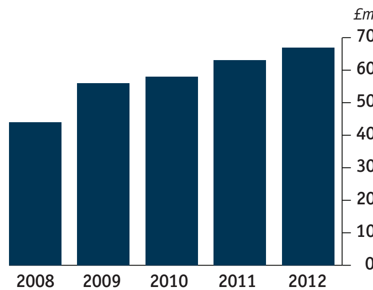
	2012	2011	2010	2009	2008
Profit and loss	£m	£m	£m	£m	£m
Turnover	362	347	320	313	266
Operating profit	**67**	**63**	**58**	**56**	**44**
Non-operating exceptional items	-	-	(1)	-	1
Profit on ordinary activities before interest	67	63	57	56	45
Net interest	(3)	(4)	(7)	-	2
Profit before taxation	65	60	50	56	47
Profit after taxation	47	44	38	38	32
Balance sheet					
Fixed assets	131	124	132	69	38
Net (borrowings)/cash	(11)	(15)	(38)	13	20
Net current liabilities	(65)	(56)	(57)	(50)	(48)
Long-term creditors and provisions	(71)	(57)	(77)	(34)	2
Net (liabilities)/assets	(5)	12	(2)	(15)	(8)
Net cash from operating activities	70	78	63	57	46
Ratios	2012	2011	2010	2009	2008
Operating profit to turnover	18.6%	18.2%	18.0%	17.8%	16.6%
Basic earnings per share	188.7p	176.5p	152.5p	151.2p	128.7p
Normalised earnings per share	188.7p	176.5p	164.0p	151.2p	126.7p
Dividends and shares					
Final and interim dividend per share	116.0p	104.1p	99.6p	95.3p	79.7p
Special dividend per share	40.0p	39.7p	31.7p	0.0p	91.3p
Total dividend per share	156.0p	143.8p	131.3p	95.3p	171.0p
Times covered (excluding non-operating exceptional items)	1.2	1.2	1.2	1.6	0.7
Indicative share value	£25.00	£24.50	£21.75	£19.75	£21.50

REVENUE
£362m
up 4%

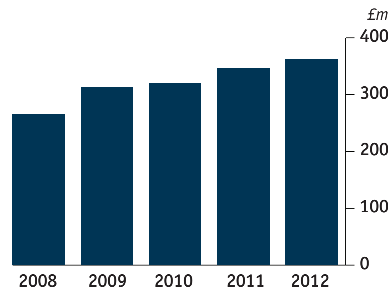
OPERATING PROFIT
£67m
up 6%

OPERATING MARGIN
18.6%
up 0.4%

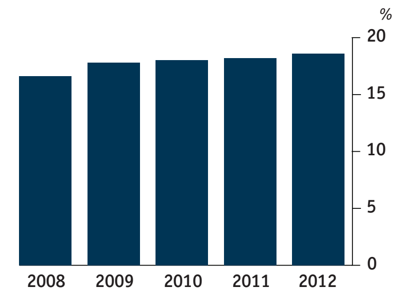
Group operating profit



Group turnover

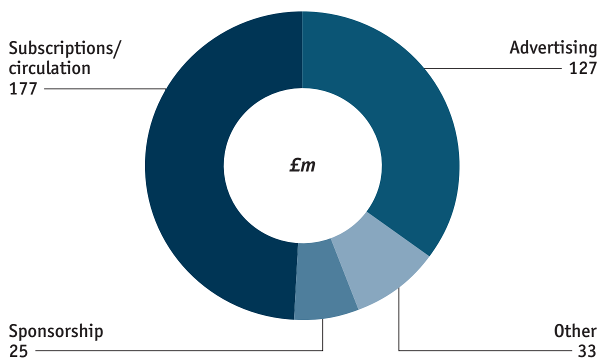


Operating profit margin



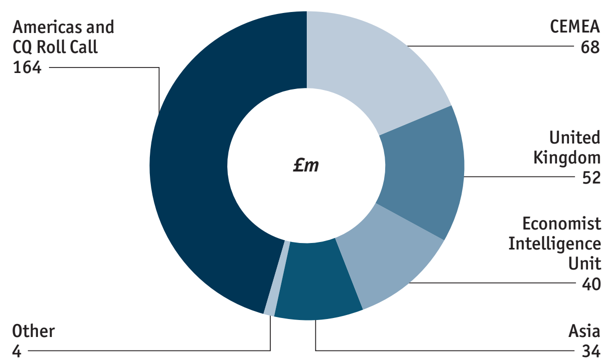
Group revenue breakdown

2012



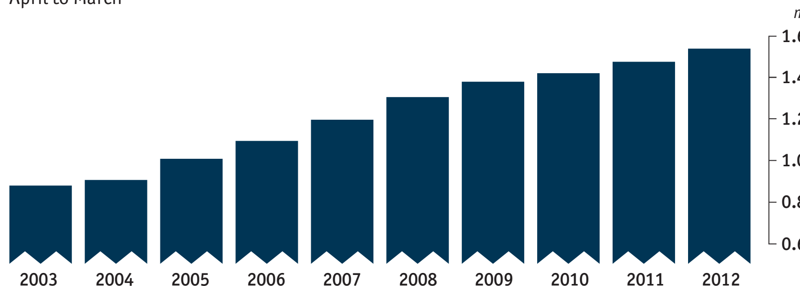
Turnover by business

2012



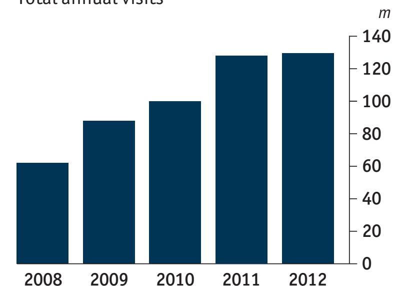
The Economist global circulation, print and digital

April to March



The Economist online

Total annual visits



FROM THE CHAIRMAN

The Group's good result reflects not just the success of The Economist but also the growth of other parts of the company

The Group's operating profit in 2011-12 was £67.3m, up 6% from the previous year, on revenue of £361.8m (up 4%). Had it not been for a weaker US dollar, operating profit would have risen 9% and revenue 6%. Profit after tax was £47.2m. Earnings per share were 188.7p. The Board is recommending a final dividend of 83.0p, so the full-year dividend (excluding the special dividend in December) is up 7% on last year.

These headlines are not as interesting as what lies behind them. First, digital editions of *The Economist* are proving popular with new and existing readers. Digital reading and advertising are critical to our future, and Oscar Grut describes our approach on pages 7-8. Secondly, the Group is becoming less dependent on print advertising. Ten years ago it accounted for 46% of the Group's revenue; today only 29%. That change has happened mainly because our revenue comes increasingly from (less cyclical) sales of content—now 57% of the total, compared with 48% ten years ago. Thirdly, the contribution from businesses we have started or bought is now significant. Our acquisitions, particularly in Washington, DC, are one reason for this shift; and in November we added Illumen, which helps organisations reach their members and constituents. But the businesses we have launched, for instance Economist.com, are valuable contributors too.

One other notable trend is the emerging potential of the Economist Intelligence Unit. In 2011-12 it made record revenues, helped by rising demand from clients for tailored research. The EIU is now branching out into healthcare; in April 2012 it bought Clearstate, a healthcare-research business based in Singapore.

Even as the importance of print advertising in *The Economist* declines, we see new opportunities with clients who want other ways to market their goods and services. Economist- or EIU-branded digital advertising, conference sponsorship, advertising in *Intelligent Life* and thought leadership (jargon for research that clients use to promote their brands)—the revenue from these is now the equivalent of half of *The Economist*'s print advertising. To reinforce what we offer in this area, we recently bought TVC, a London-based marketing agency that creates video and other content for companies and distributes it to broadcasters and others.

We still invest heavily in *The Economist*, and expect its circulation and profit to grow. But the Board is now confident that the company's future growth no longer depends on the commercial success of the paper alone.

Nobody can doubt that these are challenging times, full of uncertainty. The year ahead will be difficult in terms of both the business climate and the market shifts that Andrew Rashbass describes in his report. We will invest to ensure the Group meets these challenges and also takes advantage of the opportunities that often come in hard times.

Turning to the Board, last September we were joined by Luke Swanson, Pearson's head of communications. The directors join me in thanking our staff for their many achievements last year.

RUPERT PENNANT-REA

Across our businesses, our markets continue to change

Four major trends affect *The Economist*: more people are reading on tablets and e-readers; advertising is migrating from print to online; clients' marketing spend is gradually shifting from advertising to non-advertising channels; and social media are affecting both how people find news and how advertisers want to reach audiences. Therefore, (1) we continue to invest in digital editions of *The Economist*. Digital-only circulation in March reached 123,000 alongside record print circulation of 1.5m. (2) Economist.com is thriving as the site where readers enjoy and discuss our journalism. In March, there were 7.8m unique visitors to Economist.com. (3) With more than 1m Facebook fans and over 2m Twitter followers, many new readers are introduced to us via social media websites. (4) Our non-advertising marketing-related revenues continue to grow strongly, and in March we acquired TVC, an agency which provides services beyond the advertising and sponsorship we offer. TVC specialises in finding creative ways for consumers to experience brands, for example by creating newsworthy video about a company's activities, such as the launch of a new car model.

The Economist Intelligence Unit's market is changing too. Much macro information is becoming commoditised as, for instance, Google makes it easier to find free data good enough for most purposes; and the role of librarians and researchers who buy much of our information is changing as executives increasingly look for information themselves. These end-users want specific data and analysis to inform their decisions rather than background information. In response, the EIU is changing its core country-analysis products to suit these new users. It is also answering our clients' questions through custom research. This side of the EIU's business grew by more than 20%. The EIU is also developing new products which we hope to launch in the coming year. Lastly, we have identified healthcare as an information sector where we expect market growth and where the strengths of the EIU are relevant. As the first step, in April 2012 we completed the purchase of Clearstate, a research business which helps healthcare businesses better understand market potential across Asia through research among doctors, hospitals and other healthcare providers.

CQ Roll Call faces the same issues as the EIU and strong competition. In response, we are ensuring that our legislative news and tracking services are closely aligned with customer needs, for instance by launching a series of Executive Briefings where CQ experts guide executives throughout the day on the news, analysis and documents that matter. We are also seeing significant growth in advocacy services where our data and tools help clients engage and mobilise their grassroots constituents. To enhance further our market-leading solutions, in November 2011 we acquired Illumen, whose technologies include sophisticated issue-monitoring tools and dynamic news delivery from relevant media sources.

The continued success of the Group, particularly when our markets are going through so much change, is testament to the commitment and skill of the extraordinary people who work here. I thank them for everything they do.

ANDREW RASHBASS
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EDITORIAL REVIEW

"Our performance in social media has been particularly startling: we are the first current-affairs magazine to garner 1m followers on Facebook"

After a decade when continental Europe often seemed an economic sideshow, the euro crisis took centre stage last year. *The Economist* took a strong line, rejecting most of the solutions as inadequate, to the fury of some European leaders. In January 2012 we launched the China section, the first country-specific section since the American Survey appeared in 1942. Our first aim is to explain China in all its complexity to the rest of the world, and gradually win over Chinese readers too. Our circulation there is around 3,700 copies, similar to our American reach at the time of Pearl Harbour.

The various digital versions of *The Economist* had a good year. We launched an Android app to go with our successful iPhone and iPad ones. *The Economist* is now read on more than 500,000 tablets and smartphones each week. Most of these readers are subscribers, while the rest are single-issue buyers and potential subscribers who are enjoying the free sample of articles that we publish in the apps each week. Our web traffic has continued to grow, helped by more blogs and debates. Our performance in social media has been particularly startling: we are the first current-affairs magazine to garner 1m followers on Facebook.

Intelligent Life continues to push ahead. It is now published six times a year, it is on the iPhone as well as the iPad, and we have carried it as a quarterly supplement in *The Economist* in North America and Asia, as a way of introducing it to new readers.

The turmoil in the euro zone also kept the Economist Intelligence Unit's country-analysis team busy. Again, we were more pessimistic than other observers on Europe's economic outlook: this stance, which was vindicated by events, spurred demand for custom briefings and other EIU products. Our bespoke research business grew rapidly, especially in Europe and America, as clients eyed business opportunities in Asia, the Middle East and Africa.

European Voice's year was also dominated by the euro-zone crisis, but it found room to cover the EU's new diplomatic service and its response to the Arab spring and to increase its coverage of the European Parliament: *European Voice* hosted the only hustings debate between the three candidates for the Parliament's presidency.

The increasingly poisonous relationship between the Obama administration and a Republican Congress prompted several cover stories in *CQ Weekly*, as well as a stream of news stories for *CQ Today*, CQ.com and *Roll Call*. We launched CQ Roll Call Executive Briefings, a series of daily e-newsletters on a growing list of topics, including defence, energy, transport and banking. CQ.com continued to stay well ahead of its rivals in an increasingly competitive market while *Roll Call* launched an iPhone app as well as two new blogs following Capitol Hill.

Bill Clark of CQ Roll Call won six awards at the White House News Photographers Association's Eyes of History 2012 competition. Jonathan Ledgard's piece on "Digital Africa" for *Intelligent Life* won a Diageo Africa Business Reporting Award. At *The Economist* James Astill won the Grantham Prize, Tom Easton was the co-winner of the Bastiat Prize and Anne McElvoy was the journalist of the year at Britain's Women in Public Life Awards.

JOHN MICKLETHWAIT EDITOR-IN-CHIEF
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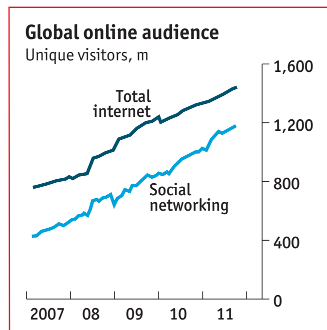
"Digital reading is likely to grow fast. Forrester predicts that by 2016 there will be 760m tablets and 1 billion smartphones in use"

Lean-forward web and lean-back digital editions

When publishing on the web really took off about ten years ago, we at *The Economist* reasoned, rightly (in part), that this was the beginning of a general shift in reading habits from print to web and, wrongly, that in order for *The Economist* to continue to satisfy our readers' needs in the same way as it did in print we would have to find a way of repackaging the newspaper for the online environment.

In fact, although the web did herald something new, our research told us that, regardless of age or geography, our readers enjoyed *The Economist* in print as a ritual, lean-back, immersive reading experience which could not be replicated on a desktop computer. We saw, then, that the web would not replace print in our readers' lives. Indeed, over the past ten years, while the web has devastated the business models of many newspapers, our print circulation has nearly doubled.



Source: ComScore

The web provides a completely different experience from print. Yes, visitors to Economist.com do read content there, but the web offers an interactive, snacking, lean-forward and, increasingly, a social and shared experience. That realisation has taken us in a completely different direction online, where we now focus on giving readers the opportunity to read our journalism but also to engage with our journalists and with each other, not just on Economist.com but on Twitter and Facebook and elsewhere too. Happily, therefore, the web has been additive to the business rather than replacing print, and it has given us the ability to reach millions more people with our distinctive journalism and to begin to build a community among our readers.

What *is* revolutionary for magazines like *The Economist*, however, is the reinvention of long-form reading triggered by Amazon when it launched Kindle in 2007 and fuelled dramatically by Apple's iPad. We are fortunate because tablets, e-readers and smartphones allow our readers to enjoy the ritual, lean-back, immersive experience of reading *The Economist* that they love in print. Many of our readers tell us that this experience is, in fact, even better than print, because as well as being lean-back, digital editions are delivered immediately and reliably (much more so than via the postal service); the backlit screens display images, maps and charts beautifully; and the devices offer opportunities to innovate and deliver more functionality—so, for example, our tablet and smartphone apps also deliver the full newspaper in audio each week. (That said, we continue to proceed cautiously with extras, in terms of both functionality—we are always conscious of the importance of keeping the reading experience free from distractions—and content, because the weekly, finishable package is so important to our readers and no one ever complains that *The Economist* is too short!)

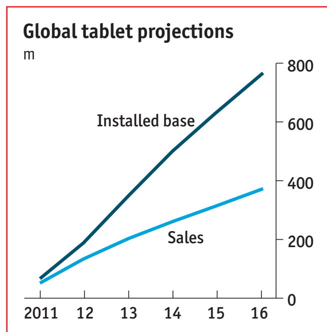
Digital reading is likely to grow fast. Forrester predicts that by 2016 there will be 760m tablets and 1 billion smartphones

To read more about the impact of digital reading devices on reader behaviours and media businesses, follow our blog, Lean Back 2.0, which can be found at www.economistgroup.com/leanback/

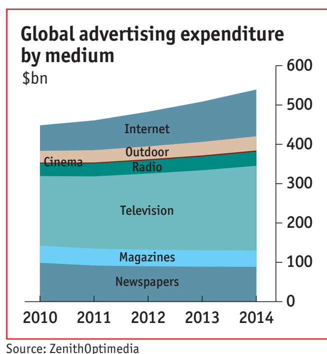
in use. Last year, in a study we carried out among our subscribers in America, the vast majority of respondents told us that while at the time of the study their preferred way of reading *The Economist* was in print, over 60% expected that by 2013 their preference would be for a digital format.

Digital advertising and other marketing services

These new reader behaviours have a significant impact on our business as people read, discover and share content in new ways. Advertising is changing too. Marketers increasingly look to spend their budgets on web rather than print advertising and on other marketing activities altogether, such as sponsorship, thought leadership, PR and so on. (Elsewhere in this annual report we explain how we are addressing the shift of marketing budgets to non-advertising services.)



Source: Forrester



Source: ZenithOptimedia

web. It is early days and client budgets for this area remain small, but we see good prospects for growth in advertising in our digital editions.

An evolving business model

Advertising at Economist.com is growing; we have new opportunities from selling advertising in digital editions; and we have launched an online advertising network called the Ideas People Channel where we sell advertising across nearly 50 publisher websites which we know *Economist* readers visit. Nonetheless, we do not expect web and digital-edition advertising to replace all of the inevitable decline we expect to see in print advertising. Other marketing services such as thought leadership will, we believe, replace the rest. Growth, however, will come from increased profit from digital circulation.

On the advertising side of our business, we deliver solutions for clients based on the two distinct experiences that our readers look for: the socially powered, lean-forward community experience at Economist.com; and the lean-back, immersive, reading experience of digital editions. Advertising and sponsorship opportunities at Economist.com continue to grow well. We are able to command higher prices for advertising than others because of the unique audience we have and their engagement with us that is at the heart of the community model of Economist.com. Advertising in digital editions offers the best of both worlds: the brand impact and beauty of print and the interactivity and measurability of the

Higher prices, the lower distribution costs that digital allows and more efficient marketing, combined with higher circulation, will mean significantly higher profits from circulation over the medium term. As we invest in our digital capabilities, we are confident that the circulation of *The Economist* will continue to rise even though we fully expect print circulation to fall in the near future. On the next page I report on how our digital strategy has played out over the past year.

OSCAR GRUT MANAGING DIRECTOR, ECONOMIST DIGITAL; GROUP GENERAL COUNSEL AND COMPANY SECRETARY
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ECONOMIST DIGITAL

"Our priority has been, as ever, the reader proposition—to deliver The Economist to our readers in the most elegant and convenient way that we can"

The past year saw the acceleration, if anything, of some game-changing trends in our market: more and more customers are looking to read magazine content on mobile reading devices; advertisers are spending more of their marketing budgets in digital channels (particularly on the web); and social media have become an increasingly important channel for readers to discover and engage with each other, with brands and with content.

These trends present a great opportunity for *The Economist*. Our response has been led by our flagship digital offerings, Economist.com and digital editions of *The Economist*, with combined circulation revenues increasing by 167% compared with the previous year and advertising revenues by 14%.

Economist.com has made significant progress towards its goal of creating the world's most valuable community for intelligent analysis, discussion and debate.

The number of unique visitors each month to Economist.com grew by an average of 40% globally, while average monthly page views increased by 27% year on year, exceeding 38m in November 2011. Active participation also leapt with over 50,000 comments generated in March 2012 alone, 77% more than last year. Engagement with our content in social media also continued its impressive upward trend with a community of over 2m Twitter followers.

We introduced new functionality on the website such as an improved comments platform, better integration with social networks, a more flexible video platform and a new classifieds system. We also launched several new blogs, a US election channel and new participation features such as "What the world thinks".

Digital editions of *The Economist*—including our apps for iPhone, iPad and Android devices, as well as our editions served through Amazon's Kindle and Fire devices, Barnes & Noble's Nook and Zinio's digital news-stand—have established a successful reader (and listener) proposition for the newspaper in digital form.

By the end of the financial year, our paid digital-only circulation (unaudited) had grown over 50% from 78,000 to in excess of 120,000, with more than 300,000 print subscribers (2011: 100,000) also reading the newspaper on a digital device each week. We expect this trend to continue, and this is supported by the staggering rate of adoption of mobile reading devices. An estimated 60m tablet computers were sold in 2011 (2010: 16m), and the latest forecasts suggest that nearly double that number will be sold in 2012, with 760m tablets in use worldwide by 2016.

Our priority has been, as ever, the reader proposition—to deliver *The Economist* to our readers in the most elegant and convenient way that we can, and to continue to grow (profitably) our overall circulation. But of course our circulation-led success also promises to translate into an increase in advertising, with a number of marquee brands already advertising in digital editions of *The Economist*.

The Economist Group, like all publishers, faces market-changing reading and advertising trends; and, given the early success of digital editions of *The Economist* and the engaged community that we are building in and around Economist.com, we see a bright future ahead for *The Economist*.

OSCAR GRUT

ECONOMIST INTELLIGENCE UNIT

"There were some notable successes with new blue-chip global corporate clients, and we go into 2012-13 with the strongest pipeline of new business we have ever had"

The Economist Intelligence Unit performed well over the year, despite the difficult economic environment, with revenue increasing by 5%. The euro-zone crisis dominated the editorial agenda, for both our subscription and custom-research teams, although we continued to see healthy interest in our emerging-market analysis as well.

In our core subscription business, client budgets came under pressure in the developed markets of Europe and North America, but strong growth was achieved in Asia, driven by the continued economic shift to the east. Globally, renewal rates remained strong, at around 90%, demonstrating the resilience of our business. Renewals remain healthy even in Europe and America, despite the poor economic backdrop. Our emphasis on building our custom-research business resulted in year-on-year growth in excess of 20% for the second year running in that part of the business. There were some notable successes with new blue-chip global corporate clients, and we go into 2012-13 with the strongest pipeline of new business we have ever had.

A number of significant initiatives were developed during the year. From June our editorial operations will move from a monthly, schedule-driven format to a daily, events-driven approach. This is a complex operational exercise, but it is a key part of our strategy to remain relevant to our users in a complex and changing world and will substantially enhance our editorial offering. Our new product-development process has also identified some major product ideas that are currently at the pilot stage of market testing. As a result, I anticipate at least one major new product launch in 2012-13, in line with our strategy of creating products and services relevant to end-users in the corporate sector. We will also continue our focus on developing the Chinese domestic market, promoting our ability to serve Chinese organisations as they expand internationally.

Just after the year end we completed the acquisition of Clearstate, a Singapore-based healthcare information company focused on Asia. This is a significant first step in our strategy of building a world-class healthcare information and analysis business focused on the emerging markets. The acquisition expands the EIU's existing industry expertise to include comprehensive coverage of the healthcare and life-sciences markets throughout Asia.

Overall, there is much to be excited about in the EIU. While we expect client budgets in developed markets to remain under pressure, we are confident in the resilience of our core business and the plans we have to grow in new markets.

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

"Combined print, digital and online advertising revenues reached an all-time high this year"

When we look back, I believe this year will be seen as the turning point for digital reading of *The Economist*.

We have continued to focus on our core lines of business while actively managing the transition our readers and clients are making to digital formats. In addition to releasing a July-December audited ABC circulation statement for the print edition of *The Economist,* we were among the first magazines in the United States to release similar numbers for all digital copies of the magazine. While print has grown by 1.3% to 844,766 copies per week, the addition of digital takes our total weekly circulation in North America to 883,960 copies. Advertising has followed suit. With the introduction of a print supplement of *Intelligent Life* and of advertising into digital editions of *The Economist*, the combined print, digital and online advertising revenues reached an all-time high this year.

Demand for integrated advertising and sponsorship packages that utilise all our products has continued to grow, and we have matched this with investments in our events and thought-leadership businesses. We see this as an increasingly important part of our business as these sorts of activities play a bigger role in our customers' marketing plans.

The Ideas People Channel, our online advertising network, now reaches an audience of over 25m people in the US and delivers banner, video, mobile and in-app advertising for clients. We see potential to build audiences and clients in other markets once this business moves to a positive contribution.

During the year we aligned our online fairs business with *Which MBA?* to focus on helping schools market to potential students. We now regularly attract more than 4,000 attendees to our online fairs where they have the opportunity to interact with over 40 schools.

Economist Education launched its first set of five courses focused on helping businesspeople operate in emerging markets. Initially, we have marketed these courses at an enterprise level to multinational companies, and we now have contracts with several *Fortune* 500 companies in the US. Having launched the courses, we see potential to sell them to internationally minded organisations in other markets.

Additionally, this year we have conducted research to quantify the opportunity for the brand in the US and to understand how to price and position digital editions of *The Economist* going forward. We have built a formal business-development team to identify ways to get more value from our existing assets and to develop new business ideas that will provide us with further growth opportunities.

Looking ahead, we are prepared to manage the migration of our customers and clients from print to digital and to capitalise on the opportunities that this brings. Our commitment to develop new businesses, coupled with the strength of our brand and our people, positions us well, I believe, to continue the success of this year.

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

"Asian economies have certainly not decoupled from the world, but they are comparatively in better shape, and more self-reliant than they have ever been"

In a year when Asian economies weathered global uncertainties better than most, our business performed robustly, delivering a 15% increase in revenues.

Global downturns are usually reflected in similar traumas in Asia, and consequently in slumping or, at best, fragile Group revenues from the region, particularly from advertising. So it is pleasing to report a strong performance in 2011-12 across our businesses, led by a 31% year-on-year increase in advertising-related revenues. Asian economies have certainly not decoupled from the world, but they are comparatively in better shape, and more self-reliant than they have ever been. Central to this are the growing disposable incomes of Asian consumers and the emergence of a new and often formidable cohort of Asian multinational companies looking to build their businesses overseas. We launched domestic advertising editions of *The Economist* in Singapore and Hong Kong to capitalise on buoyant local advertising demand, and we increased our investment behind the strategy of helping Asian companies expand internationally. A particular focus has been to work with Chinese and Taiwanese companies on their international expansion, so it is gratifying to report that six of our top 20 Asian advertising clients are now headquartered in these countries.

The use of smartphones and tablets in the region is growing but has not yet affected our print readership. Indeed, print circulation of *The Economist* grew by 2.2% year on year to 146,531 in the July-December 2011 ABCs. However, we see digital formats as a great opportunity to reach new audiences, lessening the barriers of timely delivery and a high cover price that the wide geography of Asia necessitates in print.

India is a market with a huge affinity for print and it is an important part of our strategy for growth. Interest in our editorial there remains high, with an increase in circulation of *The Economist* of 26% year on year. We also plan to secure a larger share of India's magazine advertising market, and in August took a major step towards this goal by setting up a ten-person in-house advertising sales team across Mumbai, Delhi and Bangalore.

While the contribution of the advertising and circulation businesses has remained significant, other businesses also delivered valuable revenues as well as opportunities for customers to engage with the brand. Economist Corporate Network, a membership and briefing service in six Asian cities, added 144 new clients over the year, reflecting the tilt eastwards in corporate strategy and focus. Our conference team delivered a number of unique events with content closely linked to *The Economist*, one of which, the China Summit, was named China Conference of the Year at the Asian Conference awards. The World Oceans Summit in Singapore, chaired by John Micklethwait, was one of our most distinctive events in recent years. The use of social media around these events has been noteworthy, amplifying significant audience participation and engagement.

This strong performance has been made possible by the dedication and talent of our staff in Asia. With increasing consumer wealth in the region, and the rise in reach and influence of Asian companies set to continue, I remain optimistic about the year ahead.

TIM PINNEGAR MANAGING DIRECTOR, ASIA
timpinnegar@economist.com

CONTINENTAL EUROPE, MIDDLE EAST AND AFRICA (CEMEA)

"In the face of challenging socio-political and economic conditions across the region, we delivered revenue 6% ahead of the prior year"

The first issue of *The Economist* for this financial year continued to tell the story that had begun to unfold in February with dramatic impact on our region. Barely a month into the new year, optimism began to build across the region.

But reality stopped it short by the end of June. The fear and unease continued, and this was shaping up as a truly market-driven year.

After the summer, at a time when business should rebound, it began to seem there was no refuge for even our strongest advertisers. Even circulation struggled, although coverage of Italy achieved record sales.

A very bright spot was the success of our digital offerings, which are being taken up by more and more readers across the region. While print circulation is flat, we had digital volumes of 12,500 by the end of March.

The Economist's covers continued to remind us that our work was not done, but the business moved ahead nonetheless. We introduced a series of future-looking events, beginning with Future Cities (Stockholm, Moscow and, to come, Lagos and Istanbul). Our Thinking Spaces campaign continued its strong organic growth, with 40,000 Facebook fans with a reach of 14.5m. Thought leadership grew 69%. Advertising in Europe, bolstered by the luxury-goods sector, grew 3%. *Intelligent Life* revenue increased by 46% in CEMEA, with good growth in both circulation and advertising.

Revenue suffered, particularly in the Middle East and Africa and at *European Voice*, but EuroFinance grew by 11% and the Rome International event achieved the highest number of paying delegates ever. Corporate Treasury Network was successfully launched in Rome, immediately attracting hundreds of members.

In the face of challenging socio-political and economic conditions across the region, we delivered revenue 6% ahead of the prior year. Through cost control and diversion of resources to digital, to the stronger economies of northern Europe and to the luxury-goods sector, we are well placed to seize the upturn. When it comes.

By year end, once more, optimism began to creep into our thoughts, and we hope that it is not a reflection of our final cover of the year.

SUSAN CLARK MANAGING DIRECTOR, CEMEA;
GROUP MARKETING DIRECTOR
susanclark@economist.com

UNITED KINGDOM

"The successful enhancement of our brand proposition to readers through our own marketing makes us well placed to succeed in an era of e-reading"

In a weak economic climate, market conditions were tough and print advertising in *The Economist* in the UK fell by 17%. That decline was balanced by buoyant revenues in other areas and careful cost control.

Despite challenging conditions, readership of *The Economist* continued to increase. Print circulation was steady at 210,384 copies in the ABC audit for July-December 2011, while the number of subscribers to our digital editions grew significantly to over 10,000. Revenue from print readers was up 8% and revenue from digital-only readers more than tripled. Advertiser interest in digital editions also increased.

Readership growth was encouraged by the continued success of our poster advertising campaign. Commuters on the London Underground are presented with adjacent posters, each showing opposing viewpoints on topics covered in *The Economist*. Viewers are asked "Where do you stand?" on issues such as whether China is a friend or threat to the West and whether social media should be censored. The campaign aimed to address an objection among younger potential readers that *The Economist* was only relevant to bankers. Recent research shows that since the campaign started the percentage of readers between the ages of 25 and 34 has increased from 9% to 23%. The campaign also won two awards: one from the IPA for effectiveness and one from *Marketing Week* for best media campaign.

As the media landscape changes, marketing clients are looking for new ways to engage consumers. These include association with interesting and useful content. We offer this through sponsorship of Economist Conferences or thought-leadership studies under the Economist Intelligence Unit brand. Revenue across these areas grew by 7%. Our strategy is to widen our range of new services and in March we acquired TVC, a marketing communications agency that serves a similar list of clients to our own. TVC creates video content on newsworthy activities with which its clients are involved. That might be a sporting event they support or a new product they are launching. TVC determines a strategy, creates the content and offers it to interested news media.

Intelligent Life moved from quarterly to two-monthly publication. The increased number of issues, combined with a growing reputation among readers and advertisers, resulted in a 26% rise in revenue in the UK. The UK team also helped support the new international editions of *Intelligent Life* that run as supplements within *The Economist* in Asia and America. Meanwhile, syndication of Economist-branded content, which is managed globally from the UK, delivered 3% growth in revenue.

It is clear that change, both economic and structural, is at play in the UK media market. This involves for readers, a shift to e-reading, and for marketing clients, a constant search for efficiency and innovative ways of engaging with consumers. The successful enhancement of our brand proposition to readers through our own marketing makes us well placed to succeed in an era of e-reading. The diversification of our offer to marketing clients consolidates the strength of our position for the future.

NIGEL LUDLOW
MANAGING DIRECTOR, UK
nigelludlow@economist.com

CQ ROLL CALL

"Our federal legislative business grew. CQ.com continues as the clear market leader for news and information on Congress"

CQ Roll Call remains the market leader in news and information on Congress, despite significant new market entries by Bloomberg, Thomson Reuters, Politico and Dolan Media. Sales of our products for federal legislative services and advocacy and engagement grew despite continued competition in our market, and we saw record revenues in our Washington operations.

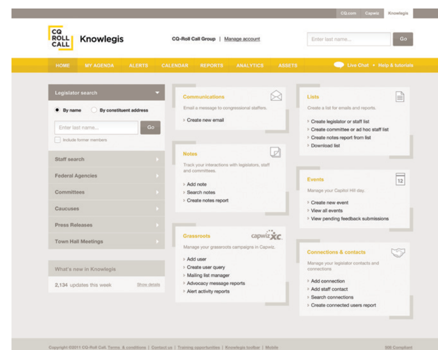
Our federal legislative business grew. CQ.com continues as the clear market leader for news and information on Congress, a position partially reinforced by our recent recognition from the White House News Photographers Association. In addition, we saw the successful launch of our Executive Briefings, which now number six, designed to bring our up-to date information on Congress to a new audience of end-users in companies, associations and government. We also redesigned CQ Knowlegis, the leading relationship-management software for professionals who need to interact with Congress. Despite continued spending cuts in the government sector, we expect our market to continue to grow, as more customers seek our products to help them influence the outcomes of governmental decisions.

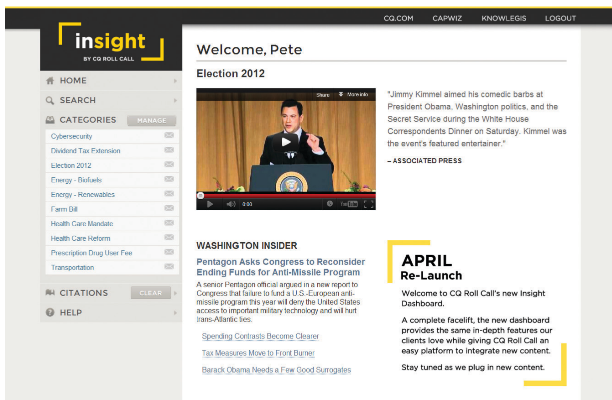
In advocacy and engagement, we integrated our Illumen acquisition, which allows clients to use dynamic news, data and user-generated content to become the hub of conversations on policy issues. This positions clients to drive engagement with constituents and policymakers alike, while solidifying our position as the number one provider of advocacy solutions. In addition, we saw significant gains in our State products, which, like our advocacy clients, engage their constituents through the publication of their information on intranets and internets. We plan continued investments in 2012 to solidify our leading position in the market for grassroots engagement.

Although the market for print advocacy advertising saw continued declines, the growth in our new online and digital solutions offset some of those losses, and helped marketers improve their ability to reach their intended audience, both inside and outside the Capitol dome.

During the coming election year, we will offset the expected declines in legislative activity through participation at the conventions, as well as progress our plans for new product launches in digital and online formats.

KEITH WHITE MANAGING DIRECTOR AND EVP, CQ ROLL CALL
keithwhite@cqrollcall.com





REPORT AND ACCOUNTS

REPORT AND ACCOUNTS

20 Directors

21 Trustees, Board and management committees

22 Directors' report

26 Directors' report on remuneration

29 Financial review

31 Independent auditors' report

32 Consolidated profit and loss account

33 Consolidated balance sheet

34 Consolidated cashflow statement

35 Other statements

36 Principal accounting policies

39 Notes to the financial statements

64 Notice of annual general meeting

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

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

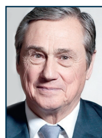
Sir David Bell
Appointed as a non-executive director in August 2005. He retired as an executive director of Pearson in May 2009 and as chairman of the Financial Times in December 2009. He is chairman of Sadler's Wells.

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

Rona Fairhead
Appointed as a non-executive director in July 2005. Chairman and chief executive of the Financial Times Group, an executive director of Pearson and a non-executive director of HSBC Holdings and the Cabinet Office of the UK government.

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

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



Sir Simon Robertson
Appointed as a non-executive director in July 2005. Chairman of Rolls-Royce Holdings, deputy chairman and senior independent director of HSBC Holdings, director of the Royal Opera House and Berry Bros & Rudd, founder of Simon Robertson Associates and a trustee of the Eden Trust.

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

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

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

Lord Stevenson of Coddenham
Retired as a non-executive director in July 2011, having served since July 1998.

TRUSTEES

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

Clayton Brendish CBE Trustee since 1999. Non-executive chairman of Anite, Echo Research and SThree. Non-executive director until 2012 of Herald Investment Trust and a director of the Test and Itchen Association.

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

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

BOARD COMMITTEES

Audit committee

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

Remuneration committee

Rupert Pennant-Rea, chairman
Sir David Bell
John Elkann (since July 2011)
Lord Stevenson of Coddenham (retired July 2011)

GROUP MANAGEMENT COMMITTEE (GMC)

Andrew Rashbass
Chris Stibbs
John Micklethwait

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

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

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

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

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

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

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

The directors present their report to shareholders, together with the audited consolidated financial statements, for the year ended March 31st 2012.

Developments and principal activities

The principal activities of the Group consist of publishing, the supply of business information, conferences, marketing services and the letting of property. Further information about the activities, developments and likely future developments of the Group are described on pages 4-15.

Results and dividends

The profit after tax for the financial year to March 31st 2012 was £47.2m (2011: £44.2m). A final dividend of 83.0p per share (2011: 78.5p) is proposed for the year to March 31st 2012. Together with the interim dividend and the special dividend already paid, this makes a total proposed dividend for the year of 160.5p (2011: 152.3p). The final dividend will be paid on July 24th 2012 to shareholders on the register at the close of business on June 12th 2012.

Property values

The directors have been advised that the open-market value of the Economist Complex at March 31st 2012 was £69.4m; the balance-sheet value is £13.8m. 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 56.

Charitable and political donations

During the financial year, the Group made donations to charities amounting to £158,162 (2011: £170,896), and also provided services in kind (free advertising, for example) worth £435,805 (2011: £408,053).

Directors

Lord Stevenson retired from the Board on July 21st 2011 and Luke Swanson was appointed as a non-executive director in his place. Profiles of the directors appear on page 20. All executive directors have contracts of employment.

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 21), 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 101 "A" special shareholders. The "B" special shares are all held by The Financial Times Limited. John Elkann, John Micklethwait, Rupert Pennant-Rea, Sir Simon Robertson, Lady Lynn Forester de Rothschild and Chris Stibbs were appointed by the "A" special shareholders. The "B" special shareholders appointed Andrew Rashbass, Sir David Bell, Rona Fairhead, Philip Mengel and Luke Swanson.

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

Corporate governance

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

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

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

- Some shareholder meeting procedures do not comply.

- In view of the company's unique capital structure which gives the "A" special and "B" special shareholders the right to appoint directors, the directors do not stand for re-election under the company's articles of association. However, in June 2007 the Board decided that henceforth "A" special shareholders would be given the opportunity to vote on the renewal of the appointment of directors elected by them on each three-year anniversary of such appointments. This does not apply to the chairman.

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

Board

The Board currently comprises eight non-executive directors and three executive directors. The non-executive directors have a breadth of successful commercial and professional experience and they exercise independent judgment. Rona Fairhead is chairman and chief executive of the Financial Times Group and an executive director of Pearson plc. Luke Swanson is director of communications of Pearson plc. Lady Lynn Forester de Rothschild and her spouse, Sir Evelyn de Rothschild, as well as John Elkann, are each interested in a significant number of shares (see page 26). 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 26-28.

The Board is chaired by Rupert Pennant-Rea and has met for regular business six times in the 12 months to March 31st 2012. The Board also convenes at other times on an ad hoc basis or in committee when events warrant. It is responsible for the overall direction and strategy of the Group and for securing the optimum performance from the Group's assets. It also exercises control by determining matters specifically reserved for it in a formal schedule which only the Board may change: these matters include significant acquisitions and major capital expenditure. The Board carries out regular reviews of matters undertaken by management under delegated authority. The company's articles of association require the approval of the trustees for some actions.

Board committees

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

The remuneration committee is made up of three non-executive directors. It is chaired by Rupert Pennant-Rea, and the other members are Sir David Bell and John Elkann (who replaced Lord Stevenson in July 2011).

Internal control

The Board is responsible for the company's systems of internal control and considers that the company has put in place processes which follow closely the main recommendations of the Turnbull Committee and which focus on managing the Group's key business risks.

The Group's annual review of risk highlighted the following principal areas: changes to its markets (including the rise of digital reading, the migration of advertising spend to the internet and the continued cyclicality of the advertising market, as well as competitive activity); failure of the euro and turmoil in the euro zone; volatility of the surplus/deficit on the UK defined-benefit pension scheme; development of new businesses; business continuity (including the breakdown of operational systems from external attack, the failure of key suppliers or a global disaster like a flu pandemic); brand and reputational risk (from libel action or infringement of the Group's intellectual property rights); regulatory risk, such as changes to privacy or employment laws; and the financial operations of the company, specifically foreign exchange, cash management and tax. During the year, the Group has taken steps to ensure that its staff, suppliers and agents are aware of, and complying with, the requirements of the UK Bribery Act, which came into effect on July 1st 2011. The Group has carried out a thorough risk assessment and confirmed that it has adequate anti-bribery procedures in place.

The internal financial control system has been designed and developed over a number of years to provide the Board with reasonable but not absolute assurance that it can rely upon the accuracy and reliability of the financial records, and its effectiveness has been

reviewed by the Board. The control system includes the following key features:

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

- A budgeting system which includes an annual budget and forward projections is approved by the Board. Monthly actual results are reported against the annual budget and monthly forecasts. The charts on pages 2 and 3 include some of the key performance indicators which are used to measure business performance. The company reports to shareholders at least twice a year.

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

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

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

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

The Economist Group's guiding principles

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

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

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

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

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

- We respect environmental standards and comply with relevant local laws. We take environmental issues seriously. We review the environmental impact of our operations, specifically carbon emissions, annually. Plans to reduce or mitigate those emissions are ongoing. We have purchased carbon offsets from The CarbonNeutral Company for the past four years to offset all emissions resulting from our offices, business travel and commuting. Future offsetting activities will be decided on an annual basis.

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

- We value our colleagues and treat each other fairly. The Group is committed to equality of opportunity in all employment practices and policies. We do not discriminate against employees or job applicants based on the grounds of age, sex, sexual orientation, marital status, race, colour, religion, national origin or disability. We support staff who through disability or illness are unable to perform their duties, by adapting the work environment and hours of work to suit the employee where it is reasonable for the business. The Group is committed to increasing staff diversity. We particularly focus on ensuring that we recruit from the widest possible pool of talent. We are also keen that people feel comfortable and valued at work, regardless of

their background. We recognise that it is essential to keep employees informed of the progress of the Group. We regularly provide employees with information on the Group's activities and its financial performance through staff meetings and communication through our intranet. We have a strong consultative culture and we follow legal and regulatory requirements to consult with staff on major issues affecting the company.

Payment of suppliers

The company aims to pay all of its suppliers within a reasonable period of their invoices being received and within any contractually agreed payment period, provided that the supplier also complies with all relevant terms and conditions. Subsidiary companies are responsible for agreeing the terms on which they trade with their suppliers. Trade creditors as at March 31st 2012 for the company represented on average 33 days of purchases (2011: 29 days).

Annual general meeting

The notice convening the annual general meeting, to be held at 12.15pm on Thursday July 19th 2012 at the British Academy of Film and Television Arts, can be found on page 64.

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 41.

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.

Directors' statement of 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 elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and 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 will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements, and that the financial statements have been prepared on a going-concern basis. The directors have considered the banking facilities in place and current trading prospects, in applying the going-concern assumption.

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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board
Oscar Grut
Secretary
June 12th 2012

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, who replaced Lord Stevenson in July 2011. 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	2012		2011	
Beneficial holdings	"A" Special	Ordinary	"A" Special	Ordinary
Rupert Pennant-Rea	75,000	2,450	75,000	2,450
Andrew Rashbass	650	9,309	400	9,309
Sir David Bell	-	-	-	-
John Elkann[1]	-	1,190,000	-	1,190,000
Rona Fairhead	-	-	-	-
Philip Mengel	-	4,250	-	4,250
John Micklethwait	550	12,000	300	12,000
Sir Simon Robertson	-	4,800	-	4,800
Lady Lynn Forester de Rothschild[2]	240,440	3,841,548	240,440	3,841,548
Lord Stevenson (retired July 2011)	-	1,000	-	1,000
Chris Stibbs	250	8,889	-	8,889
Luke Swanson (appointed July 2011)	-	-	-	-
Holding as a trustee				
John Micklethwait[3]	-	97,500	-	97,500
Rupert Pennant-Rea[3]	-	97,500	-	97,500
Lady Lynn Forester de Rothschild[4]	-	1,305,002	-	1,305,002

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

Andrew Rashbass has the right to acquire 25,000 ordinary shares, and Chris Stibbs and John Micklethwait each have the right to acquire 15,000 ordinary shares, under the restricted share scheme described on the next page. Since March 31st 2012, Chris Stibbs and John Micklethwait have each been awarded the right to acquire a further 15,000 ordinary shares, and Andrew Rashbass has been awarded the right to acquire a further 25,000 shares, under the same scheme.

The executive directors of the company, together with all employees, are beneficiaries of the company's employee share ownership trust. As such, the directors are treated as interested in the 163,629 ordinary shares (2011: 163,467) held by the trustee of the trust.

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

(a) Annual bonus plans

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

(b) Executive long-term plan

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

(c) The Economist editorial long-term plan

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

(d) The Group long-term plan

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

(e) Restricted share scheme

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

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

Table 2
Remuneration for the years ended March 31st

	Salary/fees	Annual bonus	Long-term plan payments [1]	Benefits	Total	
	2012	2012	2012	2012	2012	2011
	£000	£000	£000	£000	£000	£000
Rupert Pennant-Rea	126	-	-	-	126	120
Sir David Bell	38	-	-	-	38	35
John Elkann	38	-	-	-	38	35
Rona Fairhead[2]	38	-	-	-	38	35
Philip Mengel	44	-	-	-	44	42
John Micklethwait	294	209	112	16	631	644
Andrew Rashbass	393	470	171	16	1,050	969
Sir Simon Robertson	44	-	-	-	44	39
Lady Lynn Forester de Rothschild	38	-	-	-	38	35
Lord Stevenson	12	-	-	-	12	35
Chris Stibbs	294	167	112	13	586	681
Luke Swanson[2] (appointed July 22nd 2011)	22	-	-	-	22	-
John Gardiner (retired July 2010)	-	-	-	-	-	12
Nigel Morris (retired July 2010)	-	-	-	-	-	11
Total	1,381	846	395	45	2,667	2,693

[1] The long-term plan payments, which were made in June 2011, relate to awards made in 2008 under an incentive plan which vested over a three-year period ending March 31st 2011, and were paid out following the end of that vesting period.
[2] Paid to The Financial Times Limited/Pearson.

Directors' accrued pensions

The pensions which would be paid annually on retirement at age 65 based on service with the company to March 31st 2012 are shown below. The table does not include any additional voluntary contributions or any resulting benefits.

Table 3

	Age at March 31st 2012	Accrued pension at March 31st 2012	Accrued pension at March 31st 2011	Change
John Micklethwait	49	£125,720	£120,827	£4,983
Andrew Rashbass	46	£92,625	£86,292	£6,333
Chris Stibbs	The company contributed £33,758 to the defined-contribution scheme (2011: £32,755).			

Operating result

Operating profit for the Group increased by 6% over last year to £67.3m, and revenue grew by 4% to £361.8m. The US dollar was on average 3% weaker than last year ($1.60 compared with $1.56), which reduced revenues by £5.6m and profits by £1.4m; on a like-for-like basis, operating profit would have grown by 9% and revenues by 6%. Revenues from the print edition of *The Economist* held up well; however, growth was mainly derived from its digital formats and other areas of development in the Group, such as thought leadership, EIU custom research, Washington advocacy and the Ideas People Channel.

Costs

Costs increased by 4% overall or by 5% adjusting for the weaker dollar. This increase was due to investments in digital editions and other new business initiatives. The Group has also taken steps to reduce costs going forward which involved some one-off severance and property charges. These were offset to some extent by lower marketing costs in the UK as the circulation growth initiative was paused in the face of weak economic conditions.

Profit before tax

Profit before tax at £64.7m was 9% higher than last year. Finance charges fell by £1.1m. Finance income from the defined-benefit pension scheme, calculated using FRS 17 valuation principles, increased by £0.7m, while interest costs decreased as the Group continued to pay down bank loans associated with past acquisitions.

Taxation

The effective rate of taxation for the year was 27.0% (2011: 25.8%). After allowing for some prior year adjustments the underlying rate was 26% (2011: 23%). This is higher than last year as the Group recognised a lower benefit from its international loan structures.

Profit after tax and earnings per share

Profit after tax increased by 7% to £47.2m. Basic and normalised earnings per share also increased by 7% to 188.7p.

Balance sheet

Shareholders' funds moved from a surplus of £11.6m to a deficit of £4.6m, with the defined-benefit pension scheme moving back into a net liability position (see below). Despite this, the Group's underlying balance sheet remains strong. It includes an increase in intangibles to £105.7m associated with the two acquisitions completed in the year at a net cash cost of £10.3m, substantial balances of income received in advance from customers (£108.4m), and the Economist Complex at historic cost rather than its assessed current market value (£69.4m).

The strength of the Group's cashflows allowed it to complete two acquisitions, pay down bank loans by £6.8m as scheduled so that net borrowings at the year end stood at £11.4m (2011: £15.3m) excluding finance leases, and pay a special dividend of £10m.

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 2012 the fund, valued under FRS 17 principles, moved back into a deficit position of £10.0m net of deferred tax (2011: surplus £10.5m). Assets in the scheme grew by 6%, but this was more than offset by an increase in its liabilities due to lower corporate bond rates, resulting in a lowering of the discount rate used to value scheme liabilities.

Dividend

The Group continues to balance the needs of the business with the need to ensure that shareholders realise value for their investment. As in the previous financial year, a special dividend of £10.0m was therefore paid to all shareholders in December 2011 along with the interim dividend. The special dividend (40.0p per share) added to the interim dividend (37.5p per share) and last year's final dividend (78.5p per share) brought the total paid in the year to 156.0p. It represented an increase of 8% over 2011 and a yield of 6.2%. The total dividend was covered 1.2 times by basic earnings per share (2011: 1.2 times) while the ongoing dividend, excluding the special dividend, was covered 1.6 times (2011: 1.7 times).

Treasury and treasury policy

The objectives of the Group's treasury policies are unchanged. They are to identify, monitor and manage financial risks, including foreign-exchange and interest-rate exposures, and maintain strong control of loan and cash balances. The latter includes policies to manage the insolvency risk for counterparties that hold Group deposits. Treasury policies are agreed by the Board and implemented on a day-to-day basis by the central UK treasury department. A treasury committee, which includes two executive directors, provides guidance and 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 £13.9m at year end (2011: £17.8m), including a finance lease liability for the Economist Complex.

In January 2012 the Group put in place increased borrowing facilities on significantly improved terms to ensure it has sufficient funding capacity to deliver its strategic goals in the medium term. These totalled £100.0m and included revolving multi-currency credit facilities with Barclays for £40.0m and Royal Bank of Scotland (RBS) for £9.0m, to be used for acquisitions and general corporate purposes, plus funding lines dedicated to acquisitions of £30.0m with Barclays and £21.0m with RBS. The facilities, if drawn, will incur interest at LIBOR plus 1.25%. If unused, they incur non-utilisation fees of 0.5%. These replaced previous facilities totalling £57.5m with the same banks.

As reported last year, the Group has three unsecured US dollar-denominated loans in place. At March 31st these totalled $101.5m (2011: $111.3m). There was $9.0m outstanding on the fixed-term loan with Barclays, initially taken out to finance the acquisition of Capitol Advantage in 2008. It bears interest at US LIBOR plus 3.0%, with 50% of the LIBOR element swapped out at a rate of 2.19%. There was also $7.5m outstanding on a fixed-term loan with RBS, which bears interest at a fixed rate of 3.15%. Both loans are repayable in 2013. The majority of the borrowings were related to loan notes totalling $85.0m taken out with Pricoa to fund the CQ acquisition in 2009. The notes, which bear interest at between 7.72% and 7.93%, are repayable between 2015 and 2020.

Cash and deposits at March 31st 2012 totalled £51.4m (2011: £54.1m). The 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 0.65% for sterling deposits and 0.2% 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 actively managed only on currencies where the net exposure exceeds the equivalent of £3m per year. At present this means only US dollars. The split of net cash balances between dollars and sterling is kept under constant review. The Group does not hedge the translation of overseas profits or assets and liabilities into sterling.

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 due to distribution over many customers in different countries and in different industries.

Cashflow

The Group produced strong operating cashflow during the year of £70.4m, representing 105% of reported operating profit. This is less than the £77.5m and 123% reported last year, mainly because of the timing of supplier payment and customer renewal activity. In particular, last year included a major push in Washington to secure multi-year deals. There was a cash inflow before financing of £4.1m, reflecting normal capital expenditure, interest, tax and ongoing and special dividend outflows, and £10.3m spent on acquisitions. This compared with an inflow of £19.9m last year and was higher because of the operating cashflow and because no acquisitions took place.

International Financial Reporting Standards

As a private company, the Group is currently able to decide whether to adopt International Financial Reporting Standards (IFRS). The Group has considered the potential impact of adoption and the Board is aware that mandatory adoption is likely to be required by the year ending March 31st 2016. At present the Board does not believe that immediate adoption would be in the interests of shareholders, but it is committed to ensuring that adoption takes place in the required time frame.

Chris Stibbs

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

We have audited the Group and parent company financial statements (the ''financial statements'') of The Economist Newspaper Limited for the year ended March 31st 2012, which comprise the Group profit and loss account, the Group and parent company balance sheets, the Group cashflow statement, the Group and parent company statement of total recognised gains and losses, the Group reconciliation of movements in equity shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the directors' statement of responsibilities set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at March 31st 2012 and of the Group's profit and cashflows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Philip Stokes
Senior Statutory Auditor
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
June 13th 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT

NOTE	Years ended March 31st	2012 £000	2011 £000
1	**Turnover**		
	Continuing operations	360,810	347,159
	Acquisitions	985	-
		361,795	**347,159**
	Cost of sales	(100,264)	(97,652)
	Gross profit	**261,531**	**249,507**
	Distribution costs	(38,021)	(34,597)
	Marketing, development and other administrative costs	(150,462)	(145,817)
10	Goodwill amortisation	(5,749)	(5,804)
1	**Operating profit**		
	Continuing operations	67,206	63,289
	Acquisitions	93	-
	Profit on ordinary activities before finance charges	**67,299**	**63,289**
2	Net finance costs	(2,638)	(3,777)
1,3	**Profit on ordinary activities before taxation**	**64,661**	**59,512**
6	Taxation on profit on ordinary activities	(17,427)	(15,341)
	Profit for the year	**47,234**	**44,171**
18	**Retained profit for the financial year**	**8,176**	**8,181**

Dividends proposed and unpaid at the year end were £20,780,000 (2011: £19,654,000). Dividends paid in the year were £39,058,000 (2011: £35,990,000).

NOTE		2012	2011
9	**Basic earnings per share (pence)**	**188.7**	**176.5**
9	Diluted earnings per share (pence)	188.2	176.4
7	Dividends paid per share (pence)	156.0	143.8
	Dividend cover (times)	1.2	1.2

CONSOLIDATED BALANCE SHEET AT MARCH 31ST

NOTE		2012 £000	2011 £000
	Fixed assets		
10	Intangible assets	105,723	98,883
11	Tangible assets	25,640	25,468
		131,363	**124,351**
	Current assets		
12	Stocks	1,952	1,830
13	Debtors	64,877	64,763
14	Deferred taxation	4,587	5,336
19	Cash at bank and in hand	51,413	54,130
		122,829	**126,059**
15	Creditors: amounts falling due within one year	(79,674)	(71,110)
	Unexpired subscriptions and deferred revenue	(108,363)	(110,514)
	Net current liabilities	**(65,208)**	**(55,565)**
	Total assets less current liabilities	**66,155**	**68,786**
16	Creditors: amounts falling due after more than one year	(58,566)	(65,158)
	Net assets excluding pension and other post-retirement obligations	**7,589**	**3,628**
20	Pension and other post-retirement obligations (net of deferred tax)	(12,162)	7,936
1	**Net (liabilities)/assets**	**(4,573)**	**11,564**
	Capital and reserves		
17	Called-up share capital	1,260	1,260
18	Profit and loss account	(5,833)	10,304
	Total shareholders' (deficit)/funds	**(4,573)**	**11,564**

The company balance sheet is shown on page 59.

The consolidated financial statements were approved by the Board of directors and authorised for issue on June 12th 2012. They were signed on its behalf by:

Rupert Pennant-Rea
Chris Stibbs
Directors

The notes on pages 39-63 form an integral part of these consolidated financial statements.

The Economist Newspaper Limited registered number 236383

NOTE	Years ended March 31st	2012 £000	2011 £000
19	**Net cash inflow from operating activities**	**70,441**	**77,532**
	Returns on investments and servicing of finance		
	Interest received	376	54
	Interest paid	(5,666)	(6,090)
	Debt issue costs	(833)	-
	Finance lease interest paid	(208)	(208)
		(6,331)	(6,244)
	Taxation		
	UK corporation tax paid	(6,781)	(9,353)
	Overseas tax paid	(1,717)	(2,051)
		(8,498)	(11,404)
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	(2,357)	(4,011)
	Acquisitions and disposals		
24	Purchase of subsidiary undertakings	(11,269)	-
24	Cash acquired with subsidiary undertaking	925	-
	Cash received from sale of business	213	-
		(10,131)	-
	Equity dividends paid to shareholders		
7	Amounts paid	(39,058)	(35,990)
	Net cash inflow before use of liquid resources and financing	**4,066**	**19,883**
	Management of liquid resources		
19	Cash drawn from/(placed on) short-term deposits	6,994	(27,021)
	Financing		
	Capital element of finance lease payments	(2)	(2)
	(Purchase)/sale of own shares	(2)	250
	Drawdown of unsecured loan facility	22,000	17,070
	Repayment of unsecured loan facility	(28,806)	(22,503)
19	**Increase/(decrease) in net cash**	**4,250**	**(12,323)**

NOTE	Reconciliation of net cashflow to movement in net debt	2012 £000	2011 £000
	Increase/(decrease) in cash in the year	4,250	(12,323)
	Cash (inflow)/outflow from (decrease)/increase in liquid resources	(6,994)	27,021
	Cash outflow from decrease in lease financing	2	2
	Cash outflow from debt financing	6,806	5,433
	Change in net debt resulting from cashflows	**4,064**	**20,133**
	Other non-cash changes	(81)	(81)
	Exchange translation differences	(130)	2,861
	Movement in net debt in the year	3,853	22,913
	Net debt brought forward at April 1st	(17,801)	(40,714)
19	**Net debt carried forward at March 31st**	**(13,948)**	**(17,801)**

Cash and deposits at March 31st 2012 amounted to £51,413,000 (2011: £54,130,000).

The notes on pages 39-63 form an integral part of these consolidated financial statements.

Statement of total recognised gains and losses

Years ended March 31st

NOTE		2012 £000	2011 £000
	Profit for the financial year	47,234	44,171
	Exchange translation differences arising on consolidation	162	209
20	Actual return less expected return on pension scheme assets	(2,789)	2,621
20	Experience gains arising on the pension scheme liabilities	999	58
20	Changes in assumptions underlying the present value of pension scheme liabilities	(30,684)	3,485
	Actuarial gain on other post-retirement benefits	271	151
	UK deferred tax attributable to the actuarial (loss)/gain	7,730	(1,602)
	Total recognised gains for the year	**22,923**	**49,093**

Reconciliation of movements in total shareholders' (deficit)/funds

Years ended March 31st

NOTE		2012 £000	2011 £000
	Profit for the year	47,234	44,171
	Dividend paid	(39,058)	(35,990)
	Retained profit	8,176	8,181
18	Other recognised (losses)/gains	(24,473)	4,713
18	Net (purchase)/sale of own shares	(2)	250
18	Exchange translation differences arising on consolidation	162	209
	Net (deduction from)/addition to shareholders' funds	**(16,137)**	**13,353**
	Opening shareholders' funds/(deficit)	11,564	(1,789)
	Closing shareholders' (deficit)/funds	**(4,573)**	**11,564**

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.

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

Basis of accounting

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

Basis of consolidation

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

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 excludes 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 it goes on sale, or is dispatched in the case of free publications. Subscription revenues, whether from print circulation, digital or online, are recognised in the profit and loss account over the period of the subscription. Sponsorship and delegate revenue arising in the year relating to future events is deferred until those events have taken place.

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

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

Foreign currencies

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

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

Share-based payments

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

current fair value determined at each balance-sheet date.

Goodwill

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

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

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

Stocks and work-in-progress

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

Leased assets

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

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

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

Investments

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

Share schemes

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

Trade debtors

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

Taxation

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

Deferred taxation

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

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

Unexpired subscriptions and deferred revenue

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

Pension and other post-retirement benefits

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

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

Finance costs

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

Website development costs

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

Segmental information

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

Prior year comparatives for turnover by origin of legal entity and by customer location have been restated to eliminate internal sales between geographies.

Prior year comparatives for operating profit by business have been reclassified to conform with current year presentation.

Tangible fixed assets

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

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

NOTE 1 Segment information

Analysis by business	Turnover		Operating profit	
	2012	2011	2012	2011 Restated
	£000	£000	£000	£000
United Kingdom	52,200	52,588	15,269	14,330
CEMEA	67,835	63,791	11,698	11,020
Americas and CQ Roll Call	164,408	159,841	27,601	26,009
Asia	33,930	29,427	2,441	853
Economist Intelligence Unit	39,942	38,144	8,269	8,327
Other businesses	3,480	3,368	2,021	2,750
	361,795	347,159	67,299	63,289

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).

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

Analysis by business	Turnover		Operating profit	
	2012	2011	2012	2011
	£000	£000	£000	£000
United Kingdom	713	-	79	-
Americas and CQ Roll Call	272	-	14	-
	985	-	93	-

Analysis by origin of legal entity	Turnover		Profit before tax		Net (liabilities)/assets	
	2012	2011 Restated	2012	2011	2012	2011
	£000	£000	£000	£000	£000	£000
United Kingdom	226,571	218,947	51,390	40,039	(52,878)	(36,654)
Europe	5,831	4,725	(343)	1,064	(386)	(426)
North America	122,578	116,879	14,035	19,104	46,555	45,762
Asia	6,815	6,608	(421)	(695)	2,136	2,882
	361,795	347,159	64,661	59,512	(4,573)	11,564

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

Analysis by origin of legal entity	Turnover		Profit before tax		Net assets	
	2012	2011	2012	2011	2012	2011
	£000	£000	£000	£000	£000	£000
United Kingdom	713	-	79	-	11,873	-
North America	272	-	14	-	973	-
	985	-	93	-	12,846	-

NOTE 1 Segment information (continued)

Turnover by customer location	2012 £000	2011 Restated £000
United Kingdom	58,011	57,976
North America	178,723	174,111
Europe	67,072	61,266
Asia	42,176	37,987
Other	15,813	15,819
	361,795	347,159

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

Turnover by customer location	2012 £000	2011 £000
United Kingdom	518	-
North America	272	-
Europe	195	-
	985	-

NOTE 2 Net finance costs

	2012 £000	2011 £000
Interest receivable	378	253
Interest payable and similar charges	(5,937)	(6,240)
Other finance income	2,921	2,210
	(2,638)	(3,777)
Interest payable on bank overdrafts and loans	(1,456)	(1,704)
Amortisation of issue costs of bank loan	(81)	(81)
Interest payable on other loans	(4,192)	(4,247)
Interest payable on finance lease	(208)	(208)
Interest payable and similar charges	(5,937)	(6,240)
Net return on pension scheme and other post-retirement liabilities	2,921	2,210
Other finance income	2,921	2,210

NOTE 3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following:	2012 £000	2011 £000
Auditor's remuneration		
Audit of the company's annual accounts	125	119
Fees payable to the company's auditor and its associates for other services		
Audit of the company's subsidiaries	260	245
Further assurance services	77	27
Tax advice and compliance	245	284
Other services	-	150
Operating lease rentals		
Plant and equipment	236	245
Land and buildings	7,734	7,458
Depreciation and amortisation		
On owned assets	2,937	2,673
On assets held by finance lease	55	55
Amortisation of goodwill	5,749	5,804

The Group also incurred fees of £131,000 (2011: nil) in relation to due diligence services paid to its auditor, which have been capitalised as part of the acquisition.

NOTE 4 Directors' emoluments

The details of directors' emoluments are in table 2, page 28, within the directors' report on remuneration.

NOTE 5 Employees

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

	2012		2011 Restated	
	Average	Year-end	Average	Year-end
United Kingdom	158	199	158	162
CEMEA	223	220	218	226
Americas and CQ Roll Call	612	624	586	586
Asia	148	159	126	129
Economist Intelligence Unit	266	258	245	263
Other businesses	7	8	2	5
	1,414	1,468	1,335	1,371

	2012	2011
Employment costs including executive directors' emoluments	£000	£000
Wages and salaries	102,401	95,712
Social security costs	9,187	8,698
Defined-benefit pension costs	3,077	2,839
Other pension costs	3,454	2,997
	118,119	110,246

Wages and salaries include £2,073,000 (2011: £723,000) of restructuring-related costs.

NOTE 6 Taxation on profit on ordinary activities

The taxation charge based on the result for the year is made up as follows:	2012 £000	2011 £000
UK corporation tax at 26% (2011: 28%)	13,090	10,356
Overseas taxation	3,170	1,181
UK deferred taxation	129	(147)
Overseas deferred taxation	359	2,248
	16,748	13,638
Adjustments in respect of previous years		
UK corporation tax	(1,640)	(1,040)
Overseas taxation	762	(1,023)
UK deferred taxation	906	941
Overseas deferred taxation	651	2,825
	17,427	15,341

Included within the deferred tax charge for the year is an FRS 17 charge of £1,008,000 (2011: £1,289,000). The tax assessed for the year is higher (2011: lower) than the standard rate of corporation tax in the UK of 26% (2011: 28%).

Current tax rate reconciliation	2012 %	2011 %
UK tax rate	26.0	28.0
Expenses not deductible for tax purposes	(0.5)	0.6
Depreciation in excess of capital allowances	0.5	0.2
Movement in provisions	3.0	1.4
Overseas tax rates	0.9	1.5
Timing of US goodwill amortisation	0.4	(0.1)
Deferred income	-	(0.9)
Overseas tax losses	(1.6)	0.7
FRS 17 pension movement	(2.0)	(2.3)
Impact of Group financing	(3.2)	(4.2)
Other	1.7	(6.2)
Adjustments to tax charge in respect of previous years	(1.4)	(2.8)
Current tax rate reflected in earnings	23.8	15.9

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	2012 £000	2011 £000
Second interim dividend for previous year of nil (2011: 60.0p)	-	15,015
Final dividend for previous year of 78.5p per share (2011: 10.0p per share)	19,654	2,503
First interim dividend paid of 37.5p per share (2011: 34.1p per share)	9,389	8,535
Special dividend paid of 40.0p per share (2011: 39.7p per share)	10,015	9,937
	39,058	35,990

All shareholders other than holders of the trust shares (see note 17) receive the above dividend per share. Dividends amounting to £254,000 (2011: £247,000) 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	2012 £000	2011 £000
Interim dividend paid of 37.5p per share (2011: 34.1p per share)	9,389	8,535
Special dividend paid of 40.0p per share (2011: 39.7p per share)	10,015	9,937
Final dividend proposed of 83.0p per share (2011: 78.5p per share)	20,780	19,654
	40,184	38,126

The directors are proposing a final dividend in respect of the financial year ending March 31st 2012 of 83.0p. Dividends amounting to £136,000 in respect of the company's shares held by the ESOP have been deducted in arriving at the total dividend proposed of £20,780,000. The proposed final dividend is subject to approval by shareholders and has not been recognised as a liability in these financial statements.

NOTE 8 Share-based payments

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

Current plans

Executive long-term plan

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

Restricted share scheme

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

The Group has recorded total liabilities at March 31st 2012 of £5,024,000 (2011: £3,899,000), of which £1,145,000 (2011: £1,474,000) relates to awards which had vested at the year end. The total expense recognised with respect to cash-settled, share-based payment transactions was £2,661,000 (2011: £2,014,000).

NOTE 8 Share-based payments (continued)

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

	At March 31st 2012	At March 31st 2011
Weighted average share price (£)	25.30	24.78
Weighted average exercise price (£)	23.19	20.79
Expected volatility (%)	34	36
Expected life (months)	18	18
Risk-free rate (%)	0.4	1.2
Expected dividend yield (%)	4.3	4.1
Forfeiture rate (%)	5.0	5.0

The expected volatility is determined by calculating the historical volatility of the Group's share price over the previous ten years and by calculating the historical TSR volatility of the comparator group over the relevant life of the schemes.

During the year, 388,000 long-term plan units (2011: 360,000) were granted with a weighted average fair value at March 31st of £7.84 (2011: £8.56). 214,000 long-term plan units (2011: 290,000) vested at March 31st, with a weighted average fair value at March 31st of £4.78 (2011: £4.53).

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

	At March 31st 2012		At March 31st 2011	
Restricted share scheme	No. of options	Weighted average share price (£)	No. of options	Weighted average share price (£)
Outstanding at the beginning of the year	55,000	25.14	5,078	23.84
Granted during the year	5,000	24.50	55,000	25.14
Exercised during the year	-	-	(5,078)	23.84
Outstanding at the end of the year	60,000	27.14	55,000	25.14
Exercisable at the year end	15,000	27.40	-	-

The weighted average remaining contractual life for outstanding options at March 31st 2012 was 16 months (2011: 27 months).

NOTE 9 Earnings per share

Basic earnings per share are calculated on earnings of £47,234,000 (2011: £44,171,000) and the 25,200,000 ordinary and special shares in issue (2011: 25,200,000) less those held by the ESOP, being on average 163,000 shares (2011: 169,000), resulting in a weighted average number of shares of 25,037,000 (2011: 25,031,000).

		2012			2011	
	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	47,234	25,037	188.7	44,171	25,031	176.5

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.

	2012	2011
Weighted average number of shares (000s)	25,037	25,031
Effect of dilutive share options (000s)	60	5
Weighted average number of shares (000s) for diluted earnings	25,097	25,036

NOTE 10 Intangible fixed assets

	Goodwill £000
Cost	
At April 1st 2011	112,605
Additions (note 24)	12,305
Exchange translation differences	304
At March 31st 2012	125,214
Accumulated amortisation	
At April 1st 2011	13,722
Charge for the year	5,749
Exchange translation differences	20
At March 31st 2012	19,491
Net book value at March 31st 2012	105,723
Net book value at March 31st 2011	98,883

The goodwill arising on the acquisition of Illumen and TVC is being amortised on a straight-line basis over 20 years.

NOTE 11 Tangible fixed assets

	Leasehold buildings		Plant and		Assets in	
	Long	Short	machinery	Equipment	construction	Total
Group	£000	£000	£000	£000	£000	£000
Cost						
At April 1st 2011	32,528	3,858	2,954	26,458	3,985	69,783
Additions	-	144	-	2,915	-	3,059
Acquisitions	-	-	-	93	-	93
Disposals	-	-	-	(1,252)	-	(1,252)
Transfers	2,700	-	(159)	1,466	(4,007)	-
Exchange translation differences	1	8	-	(5)	22	26
At March 31st 2012	35,229	4,010	2,795	29,675	-	71,709
Accumulated depreciation						
At April 1st 2011	14,975	3,149	2,905	23,286	-	44,315
Provided during year	277	368	-	2,347	-	2,992
Disposals	-	-	-	(1,251)	-	(1,251)
Transfers	-	-	(110)	110	-	-
Exchange translation differences	4	7	-	2	-	13
At March 31st 2012	15,256	3,524	2,795	24,494	-	46,069
Net book value at March 31st 2012	19,973	486	-	5,181	-	25,640
Net book value at March 31st 2011	17,553	709	49	3,172	3,985	25,468

The directors have been advised that the market value of the Economist Complex at March 31st 2012 was £69,350,000 (2011: £67,000,000); the book value is £16,313,000 (2011: £16,590,000) and the balance-sheet value is £13,795,000 (2011: £14,071,000) after deducting the finance lease payable. Included within the cost of leasehold buildings is capitalised interest of £2,312,500 (2011: £2,312,500).

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

	2012	2011
	£000	£000
Cost or valuation	6,798	6,798
Aggregate depreciation	(1,409)	(1,354)
Net book value	5,389	5,444

NOTE 12 Stocks

	2012	2011
	£000	£000
Raw materials	1,259	1,337
Work-in-progress	637	442
Finished goods	56	51
	1,952	1,830

NOTE 13 Debtors

	2012	2011
Due within one year	£000	£000
Trade debtors	47,541	44,415
Other debtors	4,456	7,398
Prepayments and accrued income	11,647	9,772
Tax recoverable	1,233	3,178
	64,877	64,763

Other debtors includes loan notes amounting to £2,447,000 (2011: £2,442,000) received in part consideration for the sale of the Group's majority interest in the trade and assets of CFO Publishing Corporation (USA). There are two loan notes for $1,200,000 and $2,700,000 bearing interest at 15% and 5% respectively. The loan notes are redeemable on January 11th 2017 and July 11th 2017.

NOTE 14 Deferred taxation

Summary of movements in deferred tax asset	£000
At April 1st 2011	5,336
Charge to the profit and loss account	(1,037)
Credited to other recognised gains for the year	87
Acquisitions	120
Exchange difference	81
At March 31st 2012	4,587

The effect of the change in tax rates is to reduce the deferred tax asset by £254,000 (2011: £251,000).

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

	2012	2011
	£000	£000
Excess of depreciation over capital allowances	418	742
Loss relief	1,160	2,402
Other timing differences	3,009	2,192
	4,587	5,336

The Group has accumulated trading losses of £7,082,000 (2011: £5,385,000) in Asia. The Group has recognised Hong Kong trading losses to the value of the losses expected to be used in the next three years.

A deferred tax asset of £945,000 (2011: £1,528,000) has been recognised for carried-forward losses in the United States, United Kingdom and Asia on the basis that forecast profits in those regions against which the tax asset can be recovered will arise. A deferred tax asset of £215,000 (2011: £874,000) has been recognised in respect of US state income tax losses carried forward.

NOTE 14 Deferred taxation (continued)

In addition to the changes in rates of corporation tax disclosed above, a number of further changes to the UK corporation tax system were announced in the March 2012 UK budget statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from April 1st 2013 is expected to be included in the Finance Act 2012. Further reductions to the main rate are proposed to reduce the rate to 22% from April 1st 2014. These further changes had not been substantively enacted at the balance-sheet date and, therefore, are not included in these financial statements. If these two changes are enacted, the deferred tax asset and profit would decrease by £131,000 in 2013 and 2014 respectively.

NOTE 15 Creditors: amounts falling due within one year

	2012	2011
	£000	£000
Bank loans and overdrafts (note 16)	6,794	6,772
Trade creditors	13,948	14,190
Other creditors including taxation and social security	24,051	18,203
Accruals	34,881	31,945
	79,674	71,110
Other creditors including taxation and social security comprise:		
Corporation tax	11,527	6,460
Other tax and social security payable	2,744	1,909
Other creditors	9,780	9,834
	24,051	18,203

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

	2012	2011
	£000	£000
Finance leases	2,517	2,518
7.93% unsecured loan note 2019-20	15,498	15,400
7.72% unsecured loan note 2019-20	37,195	36,960
Unsecured bank loans	3,356	10,280
	58,566	65,158

Maturity of debt

In one year or less, or on demand	6,794	6,772
In more than one year, but not more than two years	3,356	6,772
In more than two years, but not more than five years	26,319	20,835
In more than five years	26,374	35,033
	62,843	69,412

The Group has bank loans and loan notes of £62,843,000 as at March 31st 2012 (2011: £69,412,000). On January 5th 2012, the Group entered into a new revolving credit facility of £49m and a £51m term loan facility. Both of these facilities are unsecured and have a five-year term. The revolving credit facility expires after five years. The term loan facility expires after five years unless it is not utilised during the first two years, in which case it expires. If it is utilised, it is repayable between years three and five. Neither of these new facilities were drawn down at March 31st 2012. The Group also has UK overdraft facilities which are subject to review in January 2017.

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

The unsecured bank loans were taken out to finance the acquisition of Capitol Advantage LLC and are denominated in US dollars and bear interest based on US-dollar LIBOR plus 3.0% and a fixed rate of 3.15%. The company has entered into a swap arrangement to fix LIBOR at 2.19% for 50% of the interest payable on one of its unsecured loans. The US dollar-denominated loans were revalued at the closing exchange rate and resulted in an unrealised gain of £13,750 (2011: £1,267,000).

The company entered into a ten-year committed loan note arrangement in August 2009 to fund the acquisition of Congressional Quarterly. The loan notes are repayable annually in equal instalments from the fifth to the tenth year after inception. The unsecured loan notes were drawn down in two tranches and are stated net of unamortised issue costs of £595,000 (2011: £676,000). These costs, together with the interest expense, are all allocated to the profit and loss account over the ten-year term of the facility at a constant carrying amount. The US dollar-denominated loan notes were valued at the closing exchange rate and resulted in an unrealised loss of £170,000 (2011: gain of £3,315,000).

	2012	2011
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	2,512	2,513
	2,518	2,519

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

NOTE 17 Equity share capital

	Authorised		Issued and fully paid	
At March 31st 2012 and 2011	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 22. The trust shares participate in a distribution of capital only to a limited extent and accordingly are not treated as equity share capital.

NOTE 18 Reserves

Consolidated profit and loss account	2012 £000	2011 £000
At April 1st	10,304	(3,049)
Retained profit for the year	8,176	8,181
Other recognised (losses)/gains relating to the year	(24,473)	4,713
Net (purchase)/sale of own shares	(2)	250
Exchange translation differences arising on consolidation	162	209
At March 31st	(5,833)	10,304

The cumulative goodwill written off to profit and loss reserves by the Group is £17,943,000 (2011: £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 2012, there were 163,629 shares (2011: 163,467) of 5p each with a nominal value of £8,181 (2011: £8,173) in The Economist Newspaper Limited (own shares) held by the ESOP. The ESOP provides a limited market for ordinary shares of The Economist Newspaper Limited to be bought and sold. Employees of the Group can apply to buy shares from the ESOP twice a year at the latest indicative share valuation, and all other shareholders can offer to sell their shares to the ESOP. A subsidiary company, The Economist Group Trustee Company Limited, acts as trustee of the ESOP and handles all share transactions. The ESOP has not waived its entitlement to dividends on these shares. At March 31st 2012, 60,000 (2011: 55,000) of the shares were under option to employees and had been conditionally granted to them. The interest in own shares, included within reserves, is as follows:

	£000
At April 1st 2011	1,533
Net purchase of own shares	2
At March 31st 2012	1,535

NOTE 19 Notes to the consolidated cashflow statement

Reconciliation of operating profit to net cash inflow from operating activities	2012 £000	2011 £000
Operating profit	67,299	63,289
Depreciation of tangible fixed assets	2,992	2,728
Goodwill amortisation	5,749	5,804
Loss on sale of tangible fixed assets	-	520
Increase in stocks	(122)	(232)
Increase in debtors	(2,497)	(7,466)
Increase in creditors	2,537	9,901
(Decrease)/increase in unexpired subscriptions and deferred revenue	(2,955)	5,854
Decrease in provisions	(2,562)	(2,866)
Net cash inflow from operating activities	70,441	77,532

NOTE 19 Notes to the consolidated cashflow statement (continued)

Analysis of net debt	At April 1st 2011 £000	Cashflow £000	Debt £000	Acquisitions £000	Other non-cash changes £000	Exchange movement £000	At March 31st 2012 £000
Cash in hand	19,123	3,325	-	925	-	10	23,383
Cash placed on short-term deposits	35,007	(6,994)	-	-	-	17	28,030
Total cash balances	54,130	(3,669)	-	925	-	27	51,413
Debt due within one year	(6,772)	-	6,806	-	(6,837)	9	(6,794)
Debt due after one year	(62,640)	-	-	-	6,757	(166)	(56,049)
Finance leases due within one year	(1)	2	-	-	(2)	-	(1)
Finance leases due after one year	(2,518)	-	-	-	1	-	(2,517)
Net debt	(17,801)	(3,667)	6,806	925	(81)	(130)	(13,948)

At March 31st 2012 cash balances included £2,925,000 (2011: £2,498,000) 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)	2012 £000	2011 £000
UK Group scheme	(10,037)	10,462
Post-retirement benefits	(2,125)	(2,526)
	(12,162)	7,936

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 employees. The assets of each scheme are held in separate trustee-administered funds with independent qualified actuaries or other professionals acting as advisers. Actuarial valuations are undertaken at regular intervals.

The UK Group scheme has been closed to new members since January 1st 2003; a defined-contribution scheme is now available to new joiners. As a result, under the projected unit credit method, the current service cost is expected to increase as members approach retirement. The company contributed 18.3% of pensionable salaries to fund ongoing service costs during the year and £350,000 to fund scheme expenses. The company also contributed £1,920,000 (2011: £2,113,000) in the year to repay the actuarial deficit. The best estimate of contributions expected to be paid to the scheme in 2012-13 is £5,036,000.

The most recent full actuarial valuation of the UK defined-benefit scheme was at January 1st 2010. This showed the market value of assets of the main UK scheme to be £172,602,000. The actuarial valuation of pension liabilities was £180,750,000, leaving a deficit of £8,148,000. The actuarial method used for the valuation was the projected unit credit method. The foregoing liabilities represent the Scheme Specific Funding Technical Provisions as agreed by the Group and the trustees. The SSF level of funding was 95%. The January 2010 valuation was used as a basis for determining the ongoing company funding rate, effective September 19th 2010.

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

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

The main overseas schemes and one UK scheme are based on defined contributions; amounts totalling £325,000 (2011: £387,000) were accrued in respect of these schemes at year end.

UK Group scheme

The valuation of the UK Group scheme has been updated by independent actuaries to March 31st 2012. The major assumptions used to determine this valuation are as follows:

	2012 %	2011 %	2010 %
Inflation	3.5	3.5	3.6
Increase in pensionable salaries	3.5	3.5	3.6
Increase in pensions in payment	3.3	3.3	3.3
Increase in deferred pensions	2.9	3.0	3.5
Discount rate for scheme liabilities	5.1	5.9	6.0

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

	2012 years	2011 years
Longevity at age 65 for current retirees		
- Men	87.5	87.4
- Women	89.9	89.8
Longevity at age 65 for future retirees, current age 45		
- Men	89.4	89.3
- Women	91.8	91.7

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 2012 %	Value at March 31st 2012 £000	Long-term rate of return expected at March 31st 2011 %	Value at March 31st 2011 £000	Long-term rate of return expected at March 31st 2010 %	Value at March 31st 2010 £000
Equities	8.00	116,937	7.95	123,505	8.15	109,157
Government and corporate bonds	3.93	67,270	4.96	54,490	5.09	52,759
Property	7.00	25,294	7.95	18,682	8.15	18,193
Other	2.90	1,886	3.80	2,166	3.80	1,819
Total market value of assets		211,387		198,843		181,928
Present value of scheme liabilities		(224,593)		(184,705)		(178,922)
(Deficit)/surplus in the scheme		(13,206)		14,138		3,006
Related deferred tax asset/(liability)		3,169		(3,676)		(842)
Net pension (deficit)/surplus		(10,037)		10,462		2,164

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

Reconciliation of fair value of scheme assets	2012 £000	2011 £000
April 1st	198,843	181,928
Expected return on scheme assets	14,125	13,179
Actuarial (loss)/gain	(2,789)	2,621
Employee contributions	738	736
Disbursements	(4,583)	(4,945)
Contributions paid by employer	5,053	5,324
March 31st	211,387	198,843

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 £11,336,000 (2011: £15,800,000).

Reconciliation of present value of scheme liabilities	2012 £000	2011 £000
April 1st	(184,705)	(178,922)
Current service cost	(3,077)	(2,839)
Employee contributions	(738)	(736)
Interest cost	(10,972)	(10,696)
Disbursements	4,583	4,945
Actuarial (loss)/gain	(29,684)	3,543
March 31st	(224,593)	(184,705)

Sensitivity analysis of scheme liabilities

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

	Change in assumption by	Impact on scheme liabilities
Inflation	0.5%	8.1%
Pensionable salaries	0.5%	2.8%
Pensions in payment	0.5%	6.5%
Revaluation rate of deferred pensions	0.5%	2.0%
Discount rate	0.5%	9.1%

If the average expected age of death of pensioners lengthened by one year, the liabilities of the scheme would increase by 2.5% (2011: 2.2%).

Analysis of the amount charged to operating profit	2012 £000	2011 £000
Current service cost	3,077	2,839

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

Analysis of the amount credited/(charged) to other finance income/(charges)	2012 £000	2011 £000
Expected return on pension scheme assets	14,125	13,179
Interest on pension scheme liabilities	(10,972)	(10,696)
Net income	3,153	2,483

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	2012	2011	2010	2009	2008
Amount (£000)	(2,789)	2,621	34,139	(38,867)	(14,389)
Percentage of scheme assets	(1%)	1%	19%	(29%)	(9%)
Experience gains/(losses) on scheme liabilities					
Amount (£000)	999	58	7,866	1,430	(191)
Percentage of the present value of the scheme liabilities	0%	0%	4%	1%	0%
Total actuarial (loss)/gain recognised in the statement of total recognised gains and losses					
Amount (£000)	(32,474)	6,164	2,289	(20,053)	16,714
Percentage of the present value of the scheme liabilities	(14%)	3%	1%	(14%)	11%

Since the adoption of FRS 17 in 2006 a cumulative net loss of £31,271,000 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 2012, 55 retired and former employees (2011: 58) were eligible to receive benefits. As at March 31st 2012 the Group estimated the present value of its accumulated post-retirement medical benefits obligation to be £2,125,000 (2011: £2,526,000), 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 5.5% per year and a discount rate to represent the time value of money of 5.05% (2011: 5.90%). Actual premiums paid are being set against this provision, which is periodically assessed for adequacy.

NOTE 21 Financial commitments

Operating leases	2012	2011
Land and buildings, leases expiring	£000	£000
Within one year	2,116	421
Between two and five years	855	3,240
After five years	4,166	4,296
	7,137	7,957

Plant and equipment, leases expiring	2012	2011
Within one year	57	54
Between two and five years	100	123
	157	177

NOTE 22 Capital commitments and contingent liabilities

At March 31st 2012, there was no capital expenditure contracted for but not provided in the financial statements (2011: £nil). There are contingent Group liabilities in respect of legal claims, indemnities, warranties and guarantees in relation to former businesses. None of these claims is expected to result in a material loss to the Group.

NOTE 23 Related party transactions

The Financial Times Limited holds 50% of the issued share capital in the company and is entitled to appoint six out of a total of 13 places for directors on the company's Board. The Financial Times Limited is a wholly owned subsidiary of Pearson plc. The Group sold goods and services to Pearson plc and subsidiary companies to a total value of £366,019 (2011: £86,634) in the normal course of trade during the year, and acquired goods and services to a total value of £64,848 (2011: £4,538), excluding directors' fees described on page 28. The aggregate balances outstanding with these companies as at March 31st 2012 were £nil (2011: £26,832) due to the Group and £6,516 (2011: £nil) due from the Group.

NOTE 24 Acquisitions

During the year the Group made the following acquisitions:

(a) Acquisition of Illumen

On November 4th 2011 the Group acquired the trade and assets of Illumen for a cash consideration of US$1,150,000. Illumen has been accounted for as an acquisition. The following table sets out the book values for the identifiable assets and liabilities acquired and their fair value to the Group:

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

NOTE 24 Acquisitions (continued)

Illumen contributed an outflow of £151,000 to the Group's net operating cashflows, paid £nil in respect of interest, £nil in respect of tax and used £nil capital expenditure.

In its last financial year to December 31st 2010, the unaudited financial statements of Illumen showed a profit before tax of £175,000. For the period since the date of the acquisition, Illumen has generated £272,000 revenue, £258,000 costs and a £14,000 operating profit.

Goodwill is reviewed every year for any impairment. Given the performance of Illumen since its acquisition, no impairment is required.

(b) Acquisition of TVC Group Limited

On March 14th 2012 the Group acquired 100% interest in the ordinary share capital of TVC Group Limited (TVC) and its subsidiaries for an initial cash consideration of £7,124,000 plus repayment of bank and other loans of £3,215,000. TVC has been accounted for as an acquisition. The following table sets out the book values for the identifiable assets and liabilities acquired and their provisional fair value to the Group:

	Book value	Fair value adjustments	2012 Provisional fair value
	£000	£000	£000
Tangible fixed assets	231	(138)	93
Debtors	1,381	-	1,381
Deferred taxation	11	109	120
Cash at bank and in hand	925	-	925
Total assets	2,548	(29)	2,519
Creditors			
Creditors: amounts falling due within one year	(1,231)	(359)	(1,590)
Loans payable	(3,215)	-	(3,215)
Deferred revenue	(410)	-	(410)
Net liabilities acquired	(2,308)	(388)	(2,696)
Goodwill			11,274
Consideration			8,578
Consideration satisified by:			
Cash consideration			7,124
Working capital adjustment			378
Deferred consideration			661
Related costs of acquisition			415
			8,578
Net cash outflow in respect of the acquisition comprised:			
Cash consideration and acquisition costs			10,455
Cash at bank and in hand acquired			(925)
			9,530

NOTE 24 Acquisitions (continued)

All the provisional fair values included above are based on management's best estimate at the date of preparation of the financial statements. On the date of aquisition, the Group loaned TVC £3,215,000 in order to settle bank and other loans prior to the acquisition, and the amount is treated as an inter-company loan due from TVC. TVC contributed an inflow of £126,000 to the Group's net operating cashflows, paid £nil in respect of interest, £175,000 in respect of tax and used £5,000 capital expenditure. In its last financial year to June 30th 2011, the audited financial statements of TVC showed a profit after tax of £258,000. For the period since the date of the acquisition, TVC has generated £713,000 revenue, £634,000 costs and a £79,000 operating profit. Goodwill is reviewed every year for any impairment. Given the performance of TVC since its acquisition, no impairment is required.

NOTE 25 Derivative financial instruments

The Group enters into forward exchange contracts and foreign-currency option contracts to mitigate US-dollar currency exposures. The Group does not recognise the fair value of these derivative instruments on the balance sheet. During the year, the Group entered into 13 (2011: 14) forward exchange contracts and 13 (2011: 14) option contracts. The fair value of forward contracts outstanding at the year end is an asset of £232,800 (2011: £528,000 asset) and of the option contracts an asset of £185,000 (2011: £320,000 asset). The Group has also taken out an interest swap to hedge the LIBOR component of interest payable on the US-dollar loan taken out to finance the acquisition of Capitol Advantage LLC. The fair value of the interest-rate swap arrangement at March 31st was a liability of £77,000 (2011: £176,000 liability).

NOTE 26 Events after balance-sheet date

On April 2nd 2012, the Group acquired 100% of the ordinary share capital of Clearstate (Pte) Limited, a market intelligence company specialising in customised strategic advisory and primary research solutions in the healthcare and life-sciences sectors for an initial consideration of Singapore $10,000,000 (£4,972,000). The business will be accounted as an acquisition and its results will be reported within the Economist Intelligence Unit in 2013.

Company balance sheet at March 31st

NOTE		2012 £000	2011 £000
	Fixed assets		
27	Tangible assets	2,127	2,206
27	Investments	181,364	172,506
		183,491	**174,712**
	Current assets		
27	Stocks	654	560
27	Debtors: due after one year	173,378	173,024
27	Debtors: due within one year	38,908	38,027
27	Deferred taxation	2,273	2,147
	Cash at bank and in hand	24,662	22,884
		239,875	**236,642**
27	Creditors: amounts falling due within one year	(92,987)	(77,930)
	Unexpired subscriptions and deferred revenue	(25,886)	(26,091)
	Net current assets	**121,002**	**132,621**
	Total assets less current liabilities	**304,493**	**307,333**
27	Provisions for liabilities	(1,497)	(1,797)
27	Creditors: amounts falling due after more than one year	(250,699)	(255,770)
	Net assets	**52,297**	**49,766**
	Capital and reserves		
17	Called-up share capital	1,260	1,260
27	Profit and loss account	51,037	48,506
	Equity shareholders' funds	**52,297**	**49,766**

The financial statements were approved by the Board of directors and authorised for issue on June 12th 2012.
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

	2012 £000	2011 £000
Retained profit for the year	2,433	269
Exchange translation differences arising on foreign currency net investment hedge	13	1,270
Actuarial gain on other post-retirement benefits	114	156
UK deferred tax attributable to the actuarial gain	(27)	1
Total recognised gains for the year	**2,533**	**1,696**

NOTE 27 Notes to company balance sheet

Tangible fixed assets	Leasehold buildings: short	Plant and machinery	Equipment	Total
Cost	£000	£000	£000	£000
At April 1st 2011	2,069	990	19,345	22,404
Additions	-	-	1,133	1,133
Disposals	-	-	(15)	(15)
Transfers to other Group companies	-	-	(221)	(221)
At March 31st 2012	2,069	990	20,242	23,301
Accumulated depreciation				
At April 1st 2011	1,569	990	17,639	20,198
Provided during year	296	-	694	990
Disposals	-	-	(14)	(14)
At March 31st 2012	1,865	990	18,319	21,174
Net book value at March 31st 2012	204	-	1,923	2,127
Net book value at March 31st 2011	500	-	1,706	2,206

Fixed assets: investments	Shares in Group companies
Cost and net book value	£000
At April 1st 2011	172,506
Additions	8,578
Exchange translation differences	280
At March 31st 2012	181,364

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

The Economist Intelligence Unit, NA, Inc (USA)
The Economist Intelligence Unit Limited*
The Economist Group (Investments) Limited
The Economist Newspaper, NA, Inc (USA)
TEG New Jersey LLC (USA)
Ryder Street Properties Limited
TEG India Private Limited (India)
The Economist Group Trustee Company Limited*
The Economist Group (Luxembourg) Limited
CQ-Roll Call Group, Inc (USA)
Capitol Advantage LLC
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)*
The Economist (Shanghai) Management Consulting Company Limited (China)
EuroFinance Conferences Limited*
TEG Massachusetts Corporation (USA)
TVC Group Limited*
The Television Consultancy Limited

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 and The Economist Group (Investments) Limited act as investment companies for the Group. The Economist Group Trustee Company Limited is the trustee of the ESOP. All the companies above are incorporated and registered in England and Wales with the exception of those indicated. The companies marked * are directly owned by The Economist Newspaper Limited; all other companies are owned through wholly owned subsidiaries. The Economist (Shanghai) Management Consulting Company Limited has a financial year ending December 31st. All subsidiaries have a financial year ending March 31st.

NOTE 27 Notes to company balance sheet (continued)

Stocks	2012 £000	2011 £000
Raw materials	603	523
Finished goods	51	37
	654	560

Debtors Due after one year	2012 £000	2011 £000
Amounts owed by Group companies	173,378	173,024

Debtors owed by Group companies includes an amount of £154,265,000 which bears interest of 5.9% per year.

Due within one year	2012 £000	2011 £000
Trade debtors	19,696	20,766
Amounts owed by Group companies	13,859	12,644
Other debtors	401	502
Prepayments and accrued income	4,952	4,115
	38,908	38,027

Summary of movements in deferred tax asset	£000
At April 1st 2011	2,147
Adjustments to tax charge in respect of previous year	(795)
Credited to the profit and loss account	969
Credited to other recognised gains for the year	87
Effect of changes in tax rates	(135)
At March 31st 2012	2,273

Assets recognised for deferred taxation under the liability method are:	2012 £000	2011 £000
Excess of depreciation over capital allowances	388	385
Post-retirement benefits	281	342
Other timing differences	1,604	1,420
	2,273	2,147

NOTE 27 Notes to company balance sheet (continued)

Creditors: amounts falling due within one year	2012 £000	2011 £000
Bank loans and overdraft	6,794	6,772
Trade creditors	7,216	5,923
Amounts owed to Group companies	49,896	39,197
Other creditors including taxation and social security	8,159	6,869
Accruals	20,922	19,169
	92,987	77,930
Other creditors including taxation and social security comprise:		
Corporation tax	4,459	3,484
Other tax and social security payable	1,381	1,976
Other creditors	2,319	1,409
	8,159	6,869

Creditors: amounts falling due after one year	2012 £000	2011 £000
7.93% unsecured loan note 2019-20	15,498	15,400
7.72% unsecured loan note 2019-20	37,195	36,960
Unsecured bank loan	3,356	10,280
Amounts owed to Group companies	194,650	193,130
	250,699	255,770

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

Maturity of unsecured bank loans and overdrafts		
In one year or less, or on demand	6,794	6,772
In more than one year, but not more than two years	3,356	6,772
In more than two years, but not more than five years	26,319	20,835
In more than five years	26,374	35,033
	62,843	69,412

On January 5th 2012, the company entered into a new revolving credit facility of £49m and a £51m term loan facility. Both of these facilities are unsecured and have a five-year term. The revolving credit facility expires after five years. The term loan facility expires after five years unless it is not utilised during the first two years, in which case it expires. If it is utilised, it is repayable between years three and five. Neither of these new facilities were drawn down at March 31st 2012. The company also has overdraft facilities which are subject to review in January 2017.

The unsecured bank loans were taken out to finance the acquisition of Capitol Advantage LLC and are denominated in US dollars and bear interest based on US-dollar LIBOR plus 3.0% and a fixed rate of 3.15%. The company has entered into a swap arrangement to fix LIBOR at 2.19% for 50% of the interest payable on one of its unsecured loans. The US dollar-denominated loans were revalued at the closing exchange rate and resulted in an unrealised gain of £13,750 (2011: £1,267,000).

The company entered into a ten-year committed loan note arrangement in August 2009 to fund the acquisition of Congressional Quarterly. The loan notes are repayable annually in equal instalments from the fifth to the tenth year after inception. The unsecured loan notes were drawn down in two tranches and are stated net of unamortised issue costs of £595,000 (2011: £676,000). These costs, together with the interest expense, are all allocated to the profit and loss account over the ten-year term of the facility at a constant carrying amount. The US dollar-denominated loan notes were valued at the closing exchange rate and resulted in an unrealised loss of £170,000 (2011: gain of £3,315,000).

NOTE 27 Notes to company balance sheet (continued)

Provisions for liabilities	Provisions for post-retirement benefits £000
At April 1st	1,797
Charge to the profit and loss account	185
Credit to the statement of recognised gains and losses	(362)
Utilised in year	(123)
At March 31st	1,497

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	2012 £000	2011 £000
At April 1st	48,506	46,560
Retained profit for the year	2,433	269
Net (purchase)/sale of own shares	(2)	250
Other recognised gains relating to the year	100	1,427
At March 31st	51,037	48,506

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 £41,491,000 (2011: £36,259,000).

Share-based payments

The company has recorded total liabilities at March 31st of £2,844,000 (2011: £2,459,000). Refer to note 8 for further details of the share-based incentive schemes.

Financial commitments Operating leases	2012 £000	2011 £000
Land and buildings, leases expiring		
Within one year	1,565	231
Between two and five years	415	1,956
After five years	8	9
	1,988	2,196
Plant and equipment, leases expiring		
Within one year	43	33
Between two and five years	28	29
	71	62

At March 31st 2012, there was no capital expenditure contracted for but not provided in the financial statements (2011: £nil). The company has guaranteed certain bank overdrafts and property leases of its subsidiaries and the bank overdraft of the Group's employee share ownership plan trustee company. The annual cost of property leases guaranteed by the company is currently £55,000 (2011: £55,000) 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 19th 2012 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 2012.
2. To declare a final dividend of 83.0 pence per share in respect of the year ended March 31st 2012 to all "A" Special, "B" Special and ordinary shareholders on the company's register of members at the close of business on June 12th 2012.
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 18th 2012

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

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

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