The Economist Group

Annual report 2017

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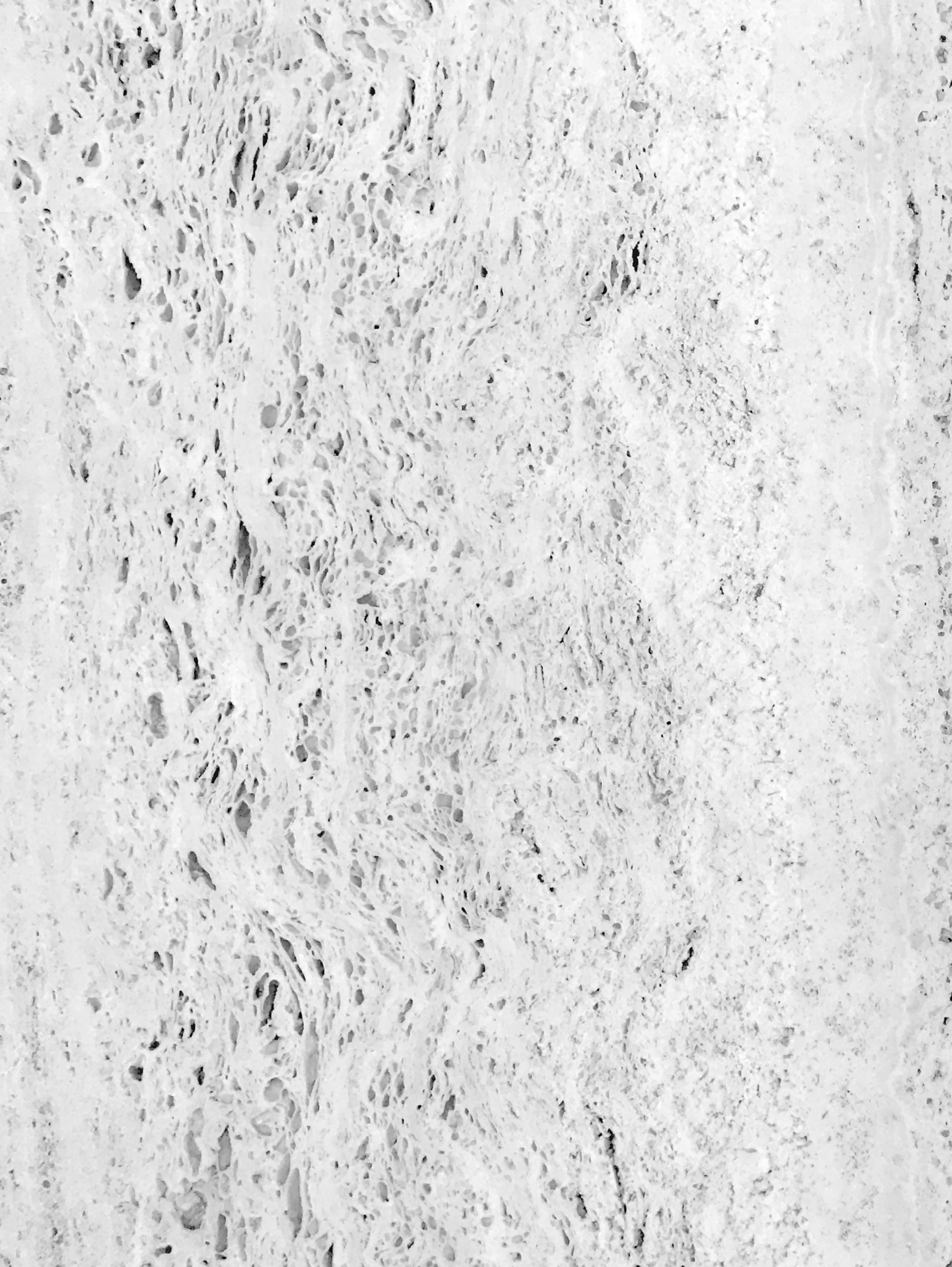

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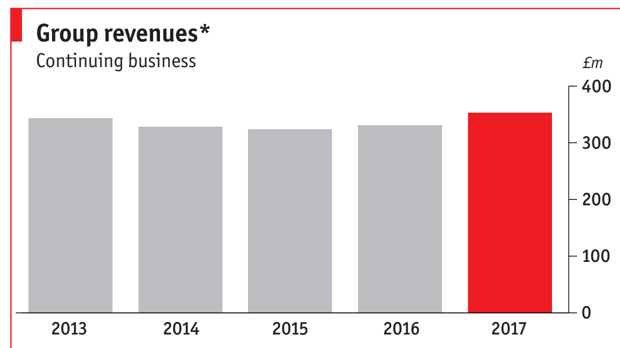
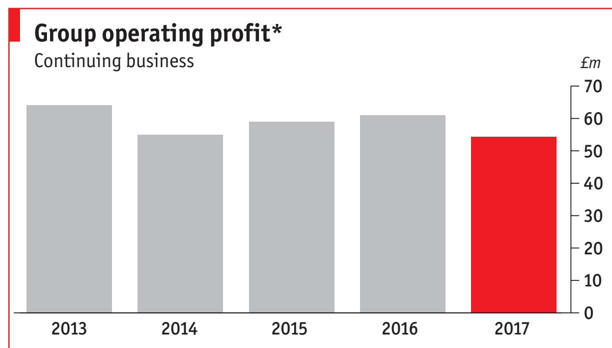
Five-year summary

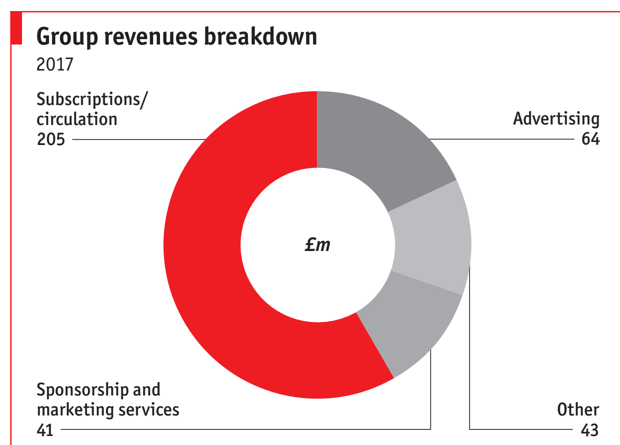
	IFRS 2017 £m	IFRS 2016 £m	IFRS 2015 £m	UK GAAP 2014 £m	UK GAAP 2013 £m
Income statement – continuing business					
Revenue	353	331	324	328	343
Operating profit	54	61	59	55	64
Profit after taxation	41	43	42	41	46
Profit on sale of the Economist Complex	-	110	-	-	-
Balance sheet					
Non-current assets	174	146	156	133	149
Net borrowings	(105)	(97)	(17)	(15)	(28)
Deferred income	(125)	(105)	(110)	(100)	(108)
Other assets and liabilities (net)	(42)	(21)	(53)	(23)	(24)
Net liabilities	(98)	(77)	(24)	(5)	(11)
Ratios					
Operating profit to revenue	15.3%	18.3%	18.3%	16.8%	18.6%
Basic earnings per share	207.3p	634.3p	181.2p	175.8p	194.4p
Basic earnings per share (continuing businesses)	192.5p	182.6p	168.1p	161.1p	179.7p
Normalised earnings per share (excluding non-operating exceptional items)	192.5p	198.3p	181.2p	174.6p	194.4p
Dividends and share price					
Total dividend per share paid in the year	193.2p	152.8p	163.5p	163.4p	163.2p
Final and interim dividend proposed per share	183.4p	183.4p	144.9p	137.0p	128.9p
Special dividend per share	-	-	23.8p	31.7p	40.0p
Total dividend proposed per share	183.4p	183.4p	168.7p	168.7p	168.9p
Times covered (excluding non-operating exceptional items)	1.1	1.1	1.1	1.0	1.2
Indicative share value	£31.00	£33.00	£29.00	£27.00	£26.00
Dividend yield	5.9%	5.6%	5.8%	6.2%	6.5%

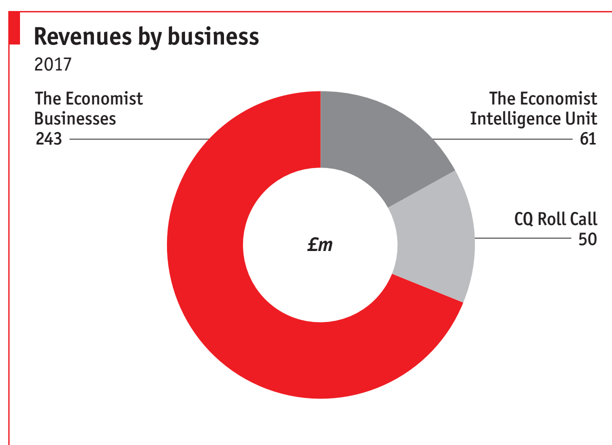
Historic information for the years 2013 and 2014 has not been restated to IFRS. The IFRS conversion process involved restatement of the opening balance sheets at March 2014 and 2015 and the income statement for 2015.

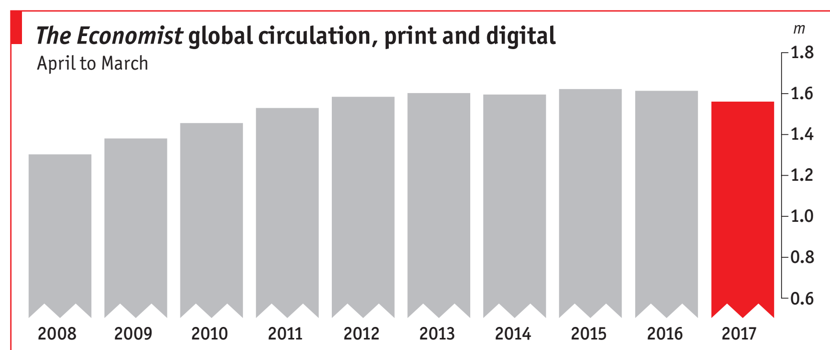
Group overview

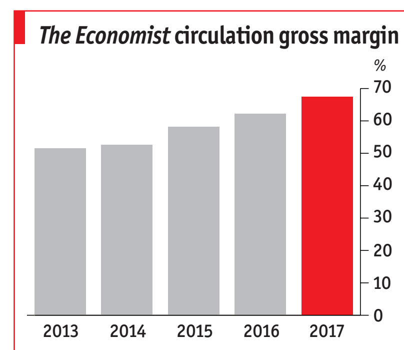


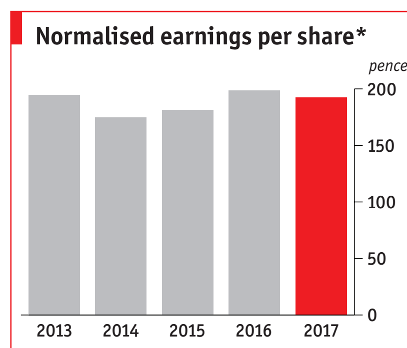


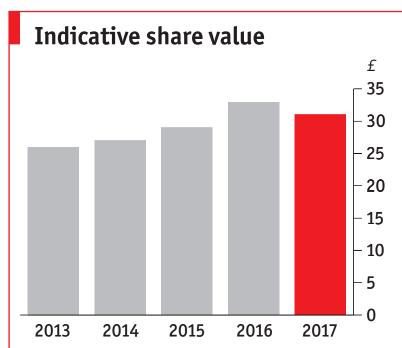


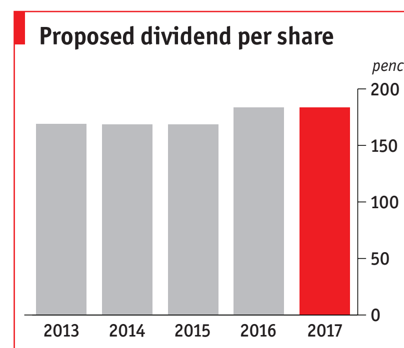












A description of the Group's principal risks, uncertainties and guiding principles can be found under the headings of Internal control and The Economist Group's guiding principles in the Directors' report on pages 20 and 21 respectively.

*2013-14 are UK GAAP measures, 2015-17 are IFRS measures.

From the chairman

LAST year was painful. The headline figures—operating profit down 11% even though revenue was up 7%—show the effect of continuing to lose high-margin advertising, but in other respects they flatter the Group's performance. Both revenue and profits benefited from a stronger dollar; without it they would have fallen by 3% and 18% respectively.

The profit shortfall deserves a fuller explanation, which you will find on page 12. Another steep decline in advertising revenue meant that only 18% of Group sales last year came from advertising, compared with 23% the previous year and more than 40% seven years earlier. The Group's entire business model has had to change, and a closer look at the figures shows that this is indeed happening.

The first and most obvious change is in our circulation strategy for *The Economist* itself. For several years we have been reducing the number of cut-price sales of the newspaper, and last year we also raised subscription prices by no less than 20%. The net effect was a sharp increase in the gross profit earned from circulation. More remarkably, the number of subscribers actually rose a little; and 73% of them now buy the digital offer, either on its own or in addition to the printed version, compared with 63% in the previous year.

The success of this circulation strategy has encouraged the Board to increase the newspaper's marketing budget for the next few years. Research shows that there is still a large untapped market for high-quality journalism, particularly in America. Although this is already our largest market by far, relative to our target readership it still has barely one-third of the penetration we have in Britain.

We are also taking steps to expand the Economist Intelligence Unit (EIU). Last year its revenues rose 17% (6% at constant exchange rates), helped in part by some small acquisitions. The EIU specialises in country analysis (its traditional core), healthcare, consumer markets and public policy. The last three are all showing encouraging growth.

Elsewhere in the Group, activities are either positioned for growth or protecting their profits by tightly controlling costs. But the Group must always be able to move quickly and imaginatively: hence the investment in Economist Films, TVC and some carefully targeted conferences. Much of the Group's digital infrastructure is also being expensively upgraded.

On a longer-term view, all these factors point to a new phase of growth for the Group. In the short term, though, the Board has had to make a difficult judgment about the dividend. Taking account of the fall in profit, the continuing strong cashflow and the early indications of activity since the new year began in April, the Board has decided to hold the full year dividend, ie, the total of the interim and final payments. This means that the final dividend will be 120.0 pence per share (down from last year's 129.8 pence). It will be paid on July 27th 2017 to shareholders on the register on June 20th 2017.

The Board will change a little at the AGM. Sir Simon Robertson is stepping down after 12 years as an "A" director, and I thank him for his many contributions, including as chairman of the audit committee. He will be replaced by Philip Mallinckrodt, whose family shareholding goes back to 1928.

My last point is also the easiest to write: a big thank you to all our staff.

RUPERT PENNANT-REA

183.4 pence

THE FULL-YEAR DIVIDEND PER SHARE

From the chief executive

IN MANY ways it has been a year of significant progress for the Group, but also a year where the structural disruption in advertising continued.

This year's results show, for the first time, that our circulation business is the single-largest contributor to the Group's profits. This is the result of the tremendous strides we have made in that business, but also represents the knock our advertising revenue has had in the year.

The impact of advertising is described clearly by Rupert on page 4 and in a specific commentary on page 12. Beyond advertising, other parts of our media activities made progress. TVC increased its revenue by 6% and in content solutions we continued to increase our profit margin. We also welcomed Signal Noise to the stable in October, an acquisition that brings significant skills and expertise to our data visualisation capabilities across the Group.

Most important is the long-term development of the business and encouragingly the year marked a step change for the profitability of the circulation of *The Economist*. A significant price rise was introduced early in the year and expertly handled so that there was little impact on total volume or new starts. In circulation, revenue increased 21% year on year—and its profits by 52%. Even though we were supposedly on the "wrong side" of the two major issues of the year (Brexit then Donald Trump)—but also the right side in many ways—our global circulation business successfully capitalised on our status as a trustworthy source of analysis and opinion based on rigorous journalism and facts.

The EIU had a good year, with its public policy practice performing impressively and counting Facebook and Huawei among its clients. The healthcare practice grew strongly, while the consumer consulting practice built up its capabilities within the year and is developing momentum for future growth.

In Washington, a presidential year meant a lack of activity on Capitol Hill and depressed demand for CQ Roll Call's core products and services. We took the opportunity to invest in the business and launched a new lighter-touch campaign product, Ignite (more on this from Paul McHale on page 11).

More people engage with *The Economist* on a weekly basis than ever before. Engagement is roughly evenly split between the print edition, Economist.com, Snapchat and Facebook video—with a long tail on all other platforms. This change in the nature of the platforms we offer our readers highlights how innovative we have become, while maintaining our heritage. It will also ensure that we continue to raise awareness of *The Economist* globally, giving us access to substantially more potential subscribers.

This year we have upped our game with our use of data. As a company, we constantly test assumptions, glean new insights and quantify results. A new Economist.com has been launched with faster load times and its visitors are staying to read more articles—but this is a work-in-progress as we understand what our users want and how we can optimise revenue.

It has taken a lot of hard work, experimentation and investment to get our circulation profitability to where it is now, but it shows our strategy is working. We will not be complacent. We will seize the moment and continue to invest in circulation marketing in the years ahead. This will affect our bottom line in the short term, but I am confident it will ensure long-term growth for the Group.

CHRIS STIBBS

52%

THE INCREASE IN CIRCULATION PROFITS OF THE ECONOMIST

From the editor

IT WAS a challenging year for the open, liberal world order this newspaper champions. Britain's decision to leave the European Union and the election of Donald Trump were the clearest, but not the only, setbacks. Authoritarians were ascendant from Turkey to the Philippines. Vladimir Putin hacked Western elections and strode tall in Syria. The word "globalisation" became a slur, technocratic expertise a liability and "fake news" a new buzzword.

We engaged vigorously in this new episode of the "severe contest". Our editorial pages opposed both Brexit and Mr Trump. Our broader coverage gave readers fact-filled analysis of a changing political landscape. Covers on "The new political divide" ("in versus out" rather than "left versus right"), the "new nationalism" and "post-truth politics" proved prescient. We took on the arguments made by populists (for example, in a special report on globalisation, with a cover leader explaining "Why they're wrong"). But we also shone a spotlight on areas where they had a point: our analysis of the growing concentration of American business has become the definitive work on this subject.

Although current events dominated, our covers also explored mind-stretching themes from quantum computing to rising longevity. Changes within the newspaper have encouraged new breadth. The relaunched Technology Quarterly allows a deep dive into a single area of technology every three months; the International section provides a home for ambitious analysis of subjects that might hitherto not have featured prominently in *The Economist*, from fertility to autism.

Our journalism now extends far beyond the weekly newspaper. *The World If*, our annual collection of scenarios, had an uncannily accurate preview of Mr Trump's first 100 days in office. *1843*, our year-old sister publication, is already winning plaudits for its mix of intelligent lifestyle journalism with narrative features that are natural complements to the newspaper. Highlights include a cover story about Amal Clooney and her fight on behalf of Yazidi people in Iraq. Economist Films, Economist Radio and new social platforms such as Snapchat have all made dramatic progress, as Tom Standage's report lays out.

Strong circulation performance is testament to the value readers place on Economist journalism. So is a healthy haul of prizes. *1843* was declared "Hottest newcomer" by *Adweek*. Tom Easton was named journalist of the year by the Chartered Financial Analyst Society of the UK. Rosie Blau won the 2016 award for "excellence in lifestyle coverage" from the Society of Publishers in Asia. Natasha Loder won several prizes for science journalism, including commentator of the year. Tom Nuttall won the biennial 2017 Evens Prize for European Journalism.

Global events have shaped the journalism in other parts of the Group, too. The EIU expanded its forecasting to cover over 1,000 cities. Clients needed help in planning their response to both Brexit and Mr Trump. This led to strong demand for scenario analysis, some of which the EIU team performed in collaboration with the political experts at CQ Roll Call. Both CQ and *Roll Call* saw a Trump boost: *Roll Call* enjoyed a 187% increase in unique visitors.

ZANNY MINTON BEDDOES
EDITOR-IN-CHIEF

7.4m

THE TOTAL NUMBER OF HOURS SPENT READING ACROSS ECONOMIST.COM, DIGITAL EDITIONS AND ESPRESSO IN 2016

The Economist's digital strategy

WE DO two main things with our digital products and channels: serve existing customers on the one hand, and engage new readers in the hope of persuading them to subscribe on the other. Over the past year we have made progress on both fronts by improving the quality and performance of our owned and operated digital products (our website and apps) and expanding our reach on third-party channels (social-media and distribution platforms). The two parts of the strategy have to work together: there is no point in building great digital products if nobody knows about them; and there is no point in reaching a giant audience on social media without a compelling product to offer them.

By far the most visible change to our own platforms has been the overhaul of Economist.com. Its pages have a crisp, clean new design and load much more quickly on both desktop and mobile devices, encouraging visitors to stay longer and read more. But the visual changes are merely the tip of a large technological iceberg: the site has been completely rebuilt under the surface in a way that makes adding new features, and piping our journalism into other products, far quicker and easier.

When it comes to third-party channels, the big news this year was our eyebrow-raising launch on Snapchat Discover in October. Discover is an invitation-only digital newsstand inside Snapchat, an app mostly used to send disappearing photo messages (ask your children to show it to you). Each weekend we publish a new edition on Discover, taking a deep dive into a particular topic and combining Economist analysis with snappy videos and animations. The popularity of our channel, seen by millions of Snapchat users each month (and winner of a Shorty award, the social-media equivalent of an Oscar), demonstrates that there is an appetite for more than just celebrity content on Discover: our editions on North Korea, Chinese internet censorship and American presidential history proved particularly popular. Launching on Snapchat struck many people as an unusual choice for *The Economist*. But it shows that our journalistic DNA can be successfully transferred to new media formats—and has introduced us to a large new audience of young, globally curious readers. The next challenge? Winning some of them over as subscribers.

7.1m

THE NUMBER OF PEOPLE WHO READ THE ECONOMIST'S SNAPCHAT DISCOVER EDITION IN APRIL

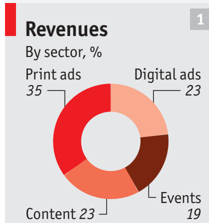
Another third-party channel that has come up the field in the past year is Apple News, a news-reading app installed on every new iPhone. We now have 4.1m followers within the app, putting us in the top five publishers on the platform, and it has proved to be a fertile source of new subscribers. In the past year we have also expanded our video audience on Facebook and Twitter by increasing our output of short videos optimised for social media. In audio, we teamed up with Mic, a news site for millennials, to produce "Special Relationship", a podcast covering the American election campaign; then in January we launched "Indivisible", a broadcast-and-podcast collaboration with WNYC, MPR and other national public radio stations, covering the first 100 days of the Trump presidency. And our virtual-reality output, available through our Economist VR app and on a range of VR platforms, has won a string of awards and is now part of the commercial model for Economist Films.

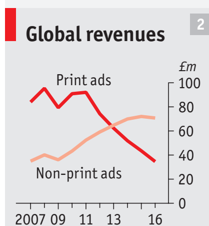
All these varied activities fit into our strategy by expanding our reach and putting our journalism in front of new audiences, either introducing them to *The Economist* for the first time or demonstrating the quality, breadth and variety of the coverage we offer our subscribers. They are all examples of how we are seizing the opportunities that digital technology provides.

TOM STANDAGE
DEPUTY EDITOR, THE ECONOMIST

The Economist Group media businesses

MOST of the media businesses' revenue comes from working with marketers. Our clients are reacting to changing consumer behaviour and technology in much the same way as our circulation business has. Paradoxically, the targeted, data-led and low-cost digital marketing that has improved the efficiency of our circulation has also made our traditional advertising products less appealing. Over the past five years we have diversified our offerings to be competitive and only 35p of every £1 we bring in comes from print advertising (see chart 1). This year our challenge has been twofold: the rate of change of the advertising decline increasing and non-advertising growth slowing (see chart 2); and the shift from high-margin advertising to lower-margin content and events.





We anticipated that print advertising in *The Economist* and *The World In* would decline in line with previous years. However, revenues dropped more than expected with a 21% decline year on year, largely driven by a slowdown in America. While our circulation sales enjoyed a "Trump bump", our advertising sales in America saw a "Trump slump". There were a few bright spots in our advertising business. *1843* ended its first year of publication with advertising revenues increasing 56% year on year and an award from *Adweek* for "Hottest Newcomer". The launch of our Snapchat product brought in new revenues as did the growth in our audio audience.

Our content businesses, which include thought-leadership products, client-branded content and TVC, our integrated-content agency, now make up a quarter of our revenues. Revenue growth slowed this year most noticeably in America and Asia, but our work has received many accolades including several awards for our programme with Microsoft (Min Online award, IAA BrillIAAnce award and two silver Pearl awards from the Content Council).

Our Economist Events strategy has been to focus on subjects close to the brand and to build strong multi-platform franchises around them. Our World Ocean Summit is a good example of this. Now in its fourth iteration, this year's event in Bali centred on a conference with over 500 people—and also included the launch of an Economist film live on Facebook, a Snapchat edition, and audio content, public relations and social marketing from TVC. We see this integration of our products and services as a driver of growth in the events business in the coming years.

To broaden the range of services we can offer clients, we acquired Signal Noise in October. Based in London, Signal Noise is a data design agency that builds content and tools for clients such as Accenture and UBS. We will integrate this business into our content solutions for clients as well as help it grow organically in new markets.

This has been a difficult year, but we remain competitive and have maintained our market share. We must now seek every opportunity to win business and keep costs under tight control.

PAUL ROSSI

PRESIDENT, THE ECONOMIST GROUP MEDIA BUSINESSES

The Economist global circulation

THIS year marked a step change in circulation profitability. Readers continued to value our high-quality journalism in a year of political upheaval, underlining that demand for *The Economist* remains undiminished—even at a higher price. The coupling of an efficient marketing strategy with a particularly newsworthy environment enabled us to grow revenues by 21% and profits by 52%, a record-breaking performance. By doubling profitability over the past two years, our circulation business became the largest contributor of profits to the Group.

We introduced a significant price increase to further accelerate the profitability of our circulation. We pressed forward with our strategy to globalise and optimise retention processes and communications, and were able to hold retention levels broadly to previous-year levels, despite the price rise.

We continued to invest judiciously across the many digital-marketing channels available to us, while introducing new marketing technologies designed to help us optimise our activities. Our newly installed attribution modelling software, for example, now enables the circulation team to see the combined and cumulative effect of our paid, earned and owned digital-media activity. As a result, our digital marketing secured top place in three of the most prestigious awards and was recognised as being among the top five campaigns in the world (across any sector).

This year, our live-content marketing (known as "experiential" marketing) was successfully expanded to America and we were able to replicate earlier successes in London. We continued to distribute insect-laced ice cream to curious people passing by our stalls and stands, and new campaigns were developed to bring our future-focused journalism to life. These included sampling plant-based alternatives to meat and a virtual-reality experience explaining the effects of overfishing.

Peak retail sales surrounding our coverage of the EU referendum and American presidential election helped slow the average decline in global newsstand sales. In some countries, such as in Britain, retail sales actually increased year on year—almost unprecedented in our industry. These results were strengthened by optimising retail promotions and forensic analysis of supply.

To support brand awareness, we broadened our marketing into traditional mass-media marketing channels, securing several global industry awards as a result. Television commercials are beamed into specifically chosen households using state-of-the-art targeting technologies.

Complementing our brand marketing, we recruited senior public-relations expertise to oversee our global programmes and subsequently moved to an in-house public-relations model. Working in partnership with editorial, our team now responds efficiently and effectively to the fast-paced news environment.

The performance of our circulation business this year has encouraged us to go faster. We are planning to accelerate growth in paid readership, with the highest levels of marketing investment in our history. With demand for our high-quality journalism undiminished, a growing target audience and ever-more efficient marketing, we are confident our plans will continue to succeed.

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

26%

THE INCREASE IN GROSS MARGIN PER PAID SUBSCRIBER

The Economist Intelligence Unit

THE ECONOMIST INTELLIGENCE UNIT had another good year, with revenues rising by 17% and profits by 10%. Our core economic and political analysis and forecasting business continued to perform strongly. But this is a mature market and in recent years we have been building additional revenue streams in consulting, where we believe there remain substantial growth opportunities. This approach is paying off, with all three consulting divisions seeing strong revenue growth and the two most established divisions, public policy and healthcare, translating that into a good profit performance.

Our editorial teams had an extremely busy year, with Brexit and the American election campaign dominating the agenda. In uncertain times, clients especially value our independent analysis, and our subscriptions business enjoyed a renewal rate of 89%. We also saw strong new subscription sales, along with increases in business with our existing clients. Interest was strong in our traditional markets of Europe, America and Japan. Demand from local firms in the developing world also rose rapidly, with especially strong sales growth in China.

Our networking business, which delivers country and regional insights directly to senior executives in emerging markets, also performed strongly with revenues up 14%. We spent the opening months of the year making changes to the service itself and to our business-development capability. These changes are now paying off. A renewed focus on driving up membership, as opposed to obtaining sponsorship for meetings, underpinned an improvement in profitability.

We restructured our consulting businesses, in order to give practice leaders specialist sales and marketing resources. This has been successful in raising the profile of our consulting work and translating that into new revenue streams. Our public policy consulting business had an exceptional year, with revenues increasing by 35% and profits more than doubling. Clients ranged from Facebook in America to Huawei in China, and the team grappled with issues ranging from food security to migration policy.

Our healthcare consulting division saw revenues rise by 20%. We won a number of substantial deals with blue-chip medical technology and pharmaceutical firms, working on their international expansion plans, as well as making steady progress building our client base for clinical consulting. Consumer consulting, under the brand EIU Canback, grew even more rapidly with revenues up 42%.

This is a highly uncertain time. Signs of economic improvement in Europe and much of the developing world are being offset by the risks of Brexit and a lack of policy clarity in America. But uncertainty can be a significant driver of business for the EIU. I feel confident that, with our highly skilled team of editors, consultants, sales people and marketing professionals, we are well placed to seize the opportunities that a clouded global outlook can create.

ROBIN BEW

MANAGING DIRECTOR, THE ECONOMIST INTELLIGENCE UNIT

35%

THE INCREASE IN REVENUES IN THE PUBLIC POLICY CONSULTING BUSINESS

CQ Roll Call

28%

THE INCREASE IN UNIQUE VISITORS TO ROLL CALL OVER THE LAST YEAR

A TUMULTUOUS year in American politics culminated in the surprise election of Donald Trump as the 45th president of the United States. The ripple effect in Congress meant Republican control of both the executive and legislative branches. The lack of congressional action late in the year temporarily slowed some advertising opportunities but created significant news interest, as readers looked to *CQ* and *Roll Call* to help make sense of an uncertain time.

During the year we focused on enhancing our position as the most trusted and comprehensive source for those whose jobs depend on knowing the inner workings of the federal and state legislatures. With input from our loyal subscribers, we set about a significant upgrade of our main news and information sites. We made it easier for users to find the information they need, when they need it and in a format they find most useful. Having made this investment we saw a boost towards the end of the year in the number of customers who were delighted to stay with us and buy other products and services. We are continuing to work on how we package and present our content which will help clients discover even more value, as *CQ* explores the impact of the new administration and Congress on federal policy.

In *Roll Call*, we refocused our coverage on Congress—a competitive advantage—which spurred a growth in overall traffic and the proportion of that audience residing within the Washington area. January-to-January unique visitors increased by 187%, with additional improvements to presentation, social-media outreach and newsletters. We improved our information graphics and video programming to add a dynamic dimension to our reporting. We boosted our circulation of *Roll Call* in print (still an important vehicle for our advertisers) and we now have the highest print circulation among Capitol Hill publications, with opportunities to continue growth. Though the presidential election put a strain on the advertising business, we did see growth in the events revenue of 53% and programmatic revenue rose 4%. In the coming year we will increase other revenue by developing a new sponsored-content platform that has drawn strong interest in the market.

We bolstered our advocacy line of business at the end of the year with the introduction of Ignite. A quick-to-launch grassroots advocacy campaign tool, Ignite provides a professional, mobile-friendly action centre where advocacy and government-relations teams can build a website and e-mail supporters with just a few clicks. We developed Ignite after extensive user testing and feedback and it hit the market just as the new president and Congress took office in Washington. The strength of feeling around policy and regulations in America is palpable and the digital-advocacy market is growing as a result. Coming from the non-partisan, trusted and objective CQ Roll Call, Ignite has immediate credibility and we surpassed the sales goals we had set for the product within months of its launch.

In March 2017 we moved to a new office at 1625 Eye Street NW in the heart of Washington. In addition to delivering a substantial bottom-line improvement, the office is modern and designed for greater collaboration and creativity. Its location and facilities make it ideal for hosting our current and prospective clients.

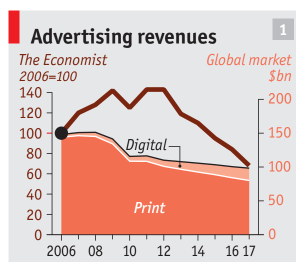
The year ahead will be packed with activity as our clients rely on us to track, explain and give insights. We have the infrastructure and the talented people to continue to be their number one source in Washington.

PAUL MCHALE

PRESIDENT, CQ ROLL CALL

The decline of advertising revenue

WITH hindsight, nobody should have been surprised. For ten years the media industry worldwide had seen a relentless fall in advertising revenue, particularly from printed pages. For the first five years of that global decline, *The Economist* seemed immune—and that period also included the financial crash. The newspaper's advertising revenue was actually 39% higher in 2011 than it had been in 2006. But the virus eventually caught up with us, and how: over the past five years our print advertising revenue has shrunk by an annual average of 18%. By the end of 2016 that decline had taken us down almost exactly as far as the global industry had fallen. Chart 1 tells the story.

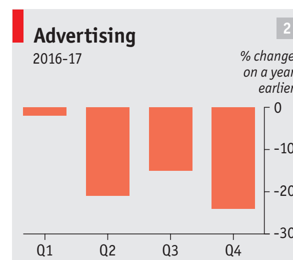


For most of the past ten years, the media industry was hoping that digital advertising would dull the pain of the print loss. However, digital advertising has been a big disappointment, unless you happen to be Google or Facebook. Between them, these two take almost 60% of global digital advertising revenue—and, in recent years, they have had as much as 99% of the growth in American revenue. Everybody else scrambles for a share of the rest.

Many media companies also reached for what they hoped would be another lifeline: supplying services that would attract their clients' marketing departments. They diversified into conferences, written content under the name of "thought leadership", videos, sponsorship opportunities, and so on.

Through its media division our Group sells conventional advertising, but has also diversified into these new activities—and it does them well. The snag is that $1m of revenue from thought leadership is not nearly as profitable as $1m from print advertising. Although the media division did not exist in 2010, it is possible to piece together what its various elements were doing, to produce a like-for-like comparison. Revenues last year were £106m, slightly more than in 2010; but the media division's profits were only £38m, barely half what they were in 2010.

Turning to the details of last year, although advertising revenues were clearly falling, they were also volatile. Occasionally they even raised hopes that the decline was flattening out. Chart 2 shows the quarterly figures for the Group's advertising sales. Bearing in mind that the American presidential election happened in the middle of our third quarter, we—in common with the rest of the media industry—hoped that clients would resume advertising once that political uncertainty was out of the way. On the contrary, the January-March quarter was brutal: the percentage fall in *The Economist*'s advertising revenues was the biggest quarterly drop we have seen, and similar companies were similarly affected.



Much of the profit decline last year was therefore concentrated in our final quarter, when we could do least about it. However, a number of other factors were undoubtedly positive: the progress of the circulation strategy, the fact that we had a significantly lower tax rate and the strength of our cashflow. Along with an encouraging start to the new year, they helped determine the Board's judgment about the final dividend.

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

Oscar Grut
Secretary
June 20th 2017

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REPORT AND ACCOUNTS

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Directors

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

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

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

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

Lynn Forester de Rothschild
Appointed as a non-executive director in October 2002. A non-executive director of the Estée Lauder Companies, and a trustee of the Eranda Rothschild Foundation, the Peterson Institute for International Economics and the McCain Institute for International Leadership. Also founder and CEO of The Coalition for Inclusive Capitalism and The Fund for Inclusive Growth.

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

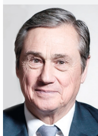
Brent Hoberman
Appointed as a non-executive director in January 2016. Chairman and co-founder of Founders Factory, Founders Forum, made.com and Smartup. Co-founder of lastminute.com and a non-executive director of TalkTalk. He is a business ambassador for the UK government and also sits on its Digital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

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

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

Trustees

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



Sir Simon Robertson
Appointed as a non-executive director in July 2005. Founder of Simon Robertson Associates LLP. Non-executive director of Berry Bros & Rudd and member of the Royal Opera Endowment Fund committee. Former chairman of Rolls-Royce Holdings and deputy chairman of HSBC Holdings. Will retire from the Board in July 2017.

Baroness Bottomley 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 for health and then for national heritage. Chancellor of the University of Hull, member of the UK Advisory Council of the International Chamber of Commerce and of the International Advisory Panel of Chugai Pharmaceutical. Non-executive director of Smith & Nephew.

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

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

Bryan Sanderson
Trustee since May 2006. Chairman of the Low Pay Commission, the Florence Nightingale Foundation and the Home Renaissance Foundation, an emeritus governor of the London School of Economics, a director of One World Entertainment and TX2, a member of the FA UEFA Club Licensing Committee.

Board committees

Audit committee
Sir Simon Robertson, chairman
Lynn Forester de Rothschild
Lady Heywood
Rupert Pennant-Rea

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

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

Group management committee (GMC)

Chris Stibbs
Zanny Minton Beddoes

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

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

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

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

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

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

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

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

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

Stephane Pere
Chief data officer. Joined the Group in 2007 as online sales manager in CEMEA. In 2010 he launched Ideas People Media for the Group and from 2012 to 2013 he was head of digital advertising sales for the Americas. Previously worked for Yahoo! and Canal+.

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

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

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

Directors' report

The directors present their report to shareholders, together with the audited consolidated financial statements, for the year ended March 31st 2017.

Developments and principal activities

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

Results and dividends

The profit after tax for the financial year to March 31st 2017 was £41.4m (2016: £151.1m). A final dividend of 120.0p per share (2016: 129.8p) is proposed for the year to March 31st 2017. Together with the interim dividend already paid, this makes a total proposed dividend for the year of 183.4p (2016: 183.4p). The final dividend will be paid on July 27th 2017 to shareholders on the register at the close of business on June 20th 2017.

Transactions with related parties

Details of transactions with related parties, which are to be reported under IAS 24, are set out in the notes to the financial statements on page 79.

Directors

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

Directors' indemnities

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

Corporate information

The share capital of the company is divided into ordinary shares, "A" special shares, "B" special shares and trust shares. There are 103 "A" special shareholders, and the "B" special shares are all held by EXOR S.A.

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

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

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

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

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

Shares held in treasury

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

Corporate governance

As a private company, the company is not bound by the Listing Rules of the Financial Conduct Authority to report on compliance with the UK Corporate Governance Code, but it has always sought to run its corporate affairs in line with best practice. 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, Board practice is to seek the appointment of directors for three-year terms, renewable without limit (or six-year terms, in the case of the chairman).

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

Board

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

The Board currently comprises nine non-executive directors and two executive directors. Brent Hoberman, Baroness Jowell, Zanny Minton Beddoes, Rupert Pennant-Rea, Sir Simon Robertson and Lynn Forester de Rothschild were appointed by the "A" special shareholders. The "B" special shareholders appointed Sir David Bell, John Elkann, Lady Heywood, Alex Karp and Chris Stibbs. Sir Simon Robertson will retire from the Board at the 2017 AGM and Philip Mallinckrodt will replace him.

The non-executive directors have a breadth of successful commercial and professional experience and they exercise independent judgment. John Elkann is the chairman and CEO of EXOR; Lady Heywood is managing director of EXOR Group; Lynn Forester de Rothschild is interested in a significant number of shares. Details of directors' interests and, in relation to the executive directors only, their interests in the employee share ownership trust are given in the directors' report on remuneration on pages 23 and 25.

The Board is chaired by Rupert Pennant-Rea and has met for regular business six times in the 12 months to March 31st 2017. The Board also convenes at other times on an ad hoc basis or in committee when events warrant. It is responsible for the overall direction and strategy of the Group and for securing the optimum performance from the Group's assets. It also exercises control by determining matters specifically reserved for it in a formal schedule which only the Board may change: these matters include significant acquisitions and major capital expenditure. The Board carries out regular reviews of matters undertaken by management under delegated authority. The company's articles of association require the approval of the trustees for some actions.

Board committees

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

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

The nominations committee was formed in August 2015. Its terms of reference provide for the committee to be chaired by the chairman of the Board, and in addition to comprise a director representing the holder of the "B" special shares (currently John Elkann), and a director representing any shareholder group that owns more than 15% of both the "A" special shares and the ordinary shares (currently Lynn Forester de Rothschild). These terms of reference also provide that any shareholder group that owns more than 15% of both the "A" special shares and the ordinary shares may propose the nominees for two non-executive directors (whose election remains subject to the approval of the holders of a majority of the "A" special shares). Those two nominees are currently Lynn Forester de Rothschild and Baroness Jowell. The committee meets as and when required, but in any event at least annually.

Internal control

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

The Group's annual review of risk highlighted the following principal areas: changes to its markets (including the migration of advertising spend to digital formats and non-advertising approaches, the pace of change in digital markets for reading and advertising, and the commoditisation of information products); the global shift of economic power from West to East; volatility of the surplus/deficit on the UK defined-benefit pension scheme; building and staff safety; business continuity (including the breakdown of operational systems from external attack, the failure of key suppliers or a global disaster); the impact

on the business of cybercrime attacks; brand and reputational risk (from libel action or infringement of the Group's intellectual property rights); regulatory risk, such as changes to privacy laws; and the financial operations of the company, specifically liquidity, foreign exchange and tax. The Group has carried out a thorough risk assessment and confirmed that it has adequate anti-bribery procedures in place covering staff, suppliers and agents.

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

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

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

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

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

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

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

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

The Economist Group's guiding principles

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

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

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

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

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

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

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

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

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

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

Annual general meeting

The notice convening the annual general meeting, to be held at 12.15pm on Tuesday July 18th 2017 at the British Academy of Film and Television Arts, can be found on page 98.

Independent auditors

A resolution to appoint Deloitte LLP in place of PricewaterhouseCoopers LLP as auditors to the company, with effect from July 18th 2017, 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 45.

Disclosure of information to auditors

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

Statement of directors' responsibilities in respect of the financial statements

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

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

• select suitable accounting policies and then apply them consistently;

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

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

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

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

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

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

By order of the Board
Oscar Grut
Secretary
June 20th 2017

Directors' report on remuneration

The committee

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

Directors' interests as at March 31st

Table 1	2017			2016		
Beneficial holdings	"A" Special	"B" Special	Ordinary	"A" Special	"B" Special	Ordinary
Rupert Pennant-Rea	75,000	-	8,750	75,000	-	8,450
Chris Stibbs	3,355	-	30,189	3,355	-	30,189
Sir David Bell	-	-	-	-	-	-
John Elkann	-	1,260,000	7,490,000	-	1,260,000	7,490,000
Lynn Forester de Rothschild	240,440	-	3,887,048	240,440	-	3,887,048
Lady Heywood	-	-	-	-	-	-
Brent Hoberman	-	-	3,000	-	-	-
Alex Karp	-	-	-	-	-	-
Baroness Jowell	-	-	-	-	-	-
Zanny Minton Beddoes	-	-	6,415	-	-	6,415
Sir Simon Robertson	-	-	4,800	-	-	4,800
Holding as a trustee						
Lynn Forester de Rothschild	-	-	1,305,002	-	-	1,305,002
Rupert Pennant-Rea[1]	-	-	97,500	-	-	97,500

The beneficial interests above include directors' personal holdings, family holdings and holdings through companies in which they have an interest.

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

Chris Stibbs and Zanny Minton Beddoes have the right to acquire 32,500 (2016: 30,000) and 25,000 (2016: 15,000) ordinary shares respectively under the restricted share scheme described on the next page. In April 2017, they were awarded the right to acquire a further 10,000 ordinary shares each under the scheme. Only one director exercised options in the year.

The executive directors of the company, together with all employees of the Group, are beneficiaries of the company's employee share ownership trust. As such, Chris Stibbs and Zanny Minton Beddoes are treated as interested in the 212,637 ordinary shares (2016: 199,505) held by the trustee of that trust.

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

(a) Annual bonus plans

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

(b) Executive long-term plans

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

(c) The Economist editorial long-term plan

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

(d) The Group long-term plan

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

(e) Restricted share scheme

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

Directors' remuneration

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

Table 2
Remuneration for the years ended March 31st

	Salary/fees	Annual bonus	Long-term plan	Benefits	Total	
	2017	2017	2017	2017	2017	2016
	£000	£000	£000	£000	£000	£000
Rupert Pennant-Rea	132	-	-	-	132	131
Chris Stibbs	520	-	-	18	538	448
Sir David Bell	39	-	-	-	39	39
John Elkann	33	-	-	-	33	39
Lynn Forester de Rothschild	39	-	-	-	39	39
Lady Heywood[1]	39	-	-	-	39	8
Brent Hoberman	39	-	-	-	39	10
Philip Hoffman[2]	-	-	-	-	-	21
Baroness Jowell	39	-	-	-	39	15
Alex Karp[3]	-	-	-	-	-	7
Zanny Minton Beddoes	362	-	-	16	378	343
John Ridding[2]	-	-	-	-	-	21
Sir Simon Robertson	46	-	-	-	46	45
Luke Swanson[2]	-	-	-	-	-	21
Total	1,288	-	-	34	1,322	1,187

[1] Paid to EXOR S.A.
[2] Paid to The Financial Times.
[3] Fees waived.

Directors' accrued pensions

The pensions which would be paid annually on retirement at age 65 based on service with the company to March 31st 2017 are shown below. The table does not include any additional voluntary contributions or any resulting benefits.

Table 3

	Age at March 31st 2017	Accrued pension at March 31st 2017	Accrued pension at March 31st 2016	Change
Zanny Minton Beddoes	49	£121,263	£120,062	£1,201
Chris Stibbs	The company contributed £nil to the defined-contribution scheme (2016: £43,197)			

Financial review

The underlying financial results reflect declining advertising revenues as global advertising markets, particularly in the US, deteriorated faster than previously anticipated. Both The Economist media businesses and CQ Roll Call were affected by this. Profits from *The Economist*'s circulation grew significantly as a result of price increases, effective marketing and the news agenda, which is driving unprecedented demand for *The Economist*'s high-quality journalism. Following the successful restructure of the Economist Intelligence Unit (EIU) in 2015-16, the increased focus on the consulting businesses generated strong growth this year.

Operating result

Operating profit for the Group fell by 11% over last year to £54.0m on revenues of £353.2m. There were a number of exceptional items affecting the result as detailed in note 4. Operating profit before exceptional items was £10.0m lower.

Revenues for the Group increased by 7% in the year as a result of the stronger US dollar. Underlying revenues fell by 3%. *The Economist*'s circulation revenues improved by £11.5m (11%), because of higher revenue per copy and an increase in paid volume, and there has been growth in EIU consulting practices (19%) and TVC (6%). The difficult US advertising market coupled with the US political and economic climate affected advertising revenues, which fell 23%, with the decline most stark in the fourth quarter.

Operating margins were affected by the decline in high-margin print advertising and the increasing complexity of the revenue delivered by our media businesses, which require higher technology, labour and partner costs. In addition, investment continued in the important growth areas of digital, editorial, films and circulation marketing for *The Economist* as well as in the EIU consulting practices. The Group's strategy to grow the profitability of the circulation of *The Economist* continued apace. Gross margin improved by £20.4m, driven by increased subscriber numbers, a significant increase in the average revenue per copy and the strength of the US dollar compared with sterling. The Group successfully implemented a 20% price rise, with minimal impact on subscriber acquisition and retention. Circulation marketing expenditure increased by 12% or 2% underlying at constant US dollar exchange rates. Underlying total costs, for the Group, increased by 3%.

Profit before tax

Profit before tax fell by 9% to £49.4m.

In May 2016, the Group sold its minority equity interest in CFO Publishing Inc generating a profit on sale of £2.9m. The sale of the investment also generated £3.9m additional cashflow from the repayment of loan notes and interest.

Finance charges increased by £1.1m because of higher interest costs following the leveraging-up of the balance sheet in the second half of last year to fund the share buy-back, the increase in US dollar-denominated interest caused by the stronger dollar, additional finance charges on deferred consideration and lower interest income as the CFO loans were repaid at the start of the year. Finance charges on the defined-benefit pension scheme liabilities were lower.

Taxation

The effective rate of taxation for the year was 16.2% (2016: 19.7%). The reduction in the tax charge is because the profit on the sale of the investment in CFO and the release of provisions for deferred consideration payable on acquisitions are non-taxable.

Profit after tax and earnings per share

Profit after tax from continuing operations fell by 5% to £41.4m. Basic earnings per share, from continuing operations, were 5% higher because the average number of shares in issue for the year, after the buy-back, was lower.

Balance sheet

The shareholders' deficit on the Group's balance sheet increased by £20.4m in the year to £97.7m, largely as a result of the increase in the deficit in the UK defined-benefit pension scheme.

Balance-sheet liabilities include £124.9m of income received in advance from customers, a significant strength for the Group. Borrowings decreased by £5.4m in the year following repayment of Pricoa loan notes and the term loan taken out to fund the acquisition of Bazian offset by revaluation effects caused by the stronger US dollar.

Pensions

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

For the year ended March 31st 2017, the UK defined-benefit plan's deficit valued for accounting purposes using IAS 19 principles increased by £23.9m to £33.3m. The value of scheme liabilities rose by £76.6m. This increase was driven by a lower discount rate, which was 2.70% compared with 3.75% at the last year-end, as well as higher inflation. Asset values improved by £52.8m. The triennial actuarial valuation of the fund as at January 1st 2016 determined a deficit on a funding basis of £20.2m. The Group agreed to close the deficit over a period ending in May 2020.

Distributable reserves

The share buy-back in 2016 reduced the level of distributable reserves available to pay future dividends. Market shocks following the outcome of the June 2016 EU referendum led to significant changes to bond and sterling exchange rates. The consequent impact on the value of the pension scheme deficit and US dollar-denominated international loans

caused a further reduction in the Group's distributable reserves. In July 2016, action was taken to create additional distributable reserves. The Group converted an unrealised gain of £269m arising on the revaluation of investments in its subsidiaries on first-time adoption of IFRS by way of a capital reduction. At March 31st 2017, the company's distributable reserves stood at £254m.

Dividend

The directors carried out their regular assessment of the feasibility of paying special dividends in the light of debt levels, cashflows, trading conditions, business risks and investment needs. In November 2016 they decided not to pay a special dividend in view of the uncertain outlook at the time.

As a result of the 2016 share buy-back, each shareholder's percentage holding in the Group increased by 25%. Due to the timing of the capital reduction in 2016, the impact on dividend per share was only fully realised this year. The per share value of the interim dividend (63.4p per share), paid in December 2016, when added to last year's final dividend (129.8p per share), paid in July 2016, brought the total paid in the year to 193.2p, 40.4p more than in the previous year. This represented a yield of 6.2% based on the year-end share price of £31.00. Dividend cover levels decreased as total dividends covered normalised earnings per share (excluding profit on sale of investments) by 1.0 times (2016: 1.3 times).

Treasury and foreign exchange

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

The Group had net debt of £104.9m at the year-end (2016: £97.0m). The Group has five-year term loans in place with Barclays (£42.6m) and Royal Bank of Scotland (RBS, £28.4m) expiring in October 2020. The loans incur interest at LIBOR plus 1.20%-1.90% depending on the Group's ratio of net debt to EBITDA at its reporting dates.

The Group has committed borrowing facilities with Barclays (£40.0m) and RBS (£9.0m) expiring in 2020. The committed facility with Barclays incurs non-utilisation fees of 0.4% and, if drawn, will incur interest at LIBOR plus 1.00% as well as utilisation fees depending on levels drawn. The RBS committed facility incurs non-utilisation fees of 0.5% and, if drawn, will incur interest at LIBOR plus 1.25%.

None of these facilities were drawn down at the year-end. The availability of committed facilities, the strength of future anticipated trading, and the nature and timing of settlement of the Group's liabilities support the preparation of the financial statements on the going-concern basis.

At the year-end the Group had borrowings of £127.4m (2016: £132.8m) net of issue costs. This related to the five-year bank term loans totalling £70.5m and loan notes totalling $71.2m (£56.9m) taken out under the private shelf agreements with Pricoa. The Pricoa notes were originally taken out to fund the CQ acquisition in 2009 and were repayable between years six and ten after inception. Repayments were due in July 2014 and July 2015 and the Board decided, given favourable long-term rates available in the market and the greater cash flexibility it would create, to refinance them. The Group repaid notes of $14.2m in July 2016. At the year-end there were $42.5m of notes repayable between July 2017 and 2019 under the original shelf facility at interest rates of 8.53% and 8.32%, $14.5m of notes drawn under a shelf facility repayable in July 2022 at an interest rate of 5.89%, and $14.2m of notes drawn under the shelf facility repayable in July 2023 at an interest rate of 5.75%. During the year the Group repaid a Barclays term loan of £3.3m.

Cash and deposits at March 31st 2017 totalled £22.6m (2016: £35.8m). The Group's policy is to deposit cash not required as working capital, as soon as practicable, in AAA-rated and AA-rated money market funds. These funds were earning 0.25% for sterling deposits and 1.0% for US deposits at the year-end. Counterparty limits approved by the treasury committee and notified to the Board are used to manage the risk of loss on deposits. The Group has not experienced any losses to date on its deposited cash.

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

For the year the US dollar averaged $1.31 against sterling (2016: $1.51) and closed at $1.25 (2016: $1.44). The stronger

dollar has benefited the translation of revenues and operating profits over the prior year by £32.1m and £4.1m respectively. Realised and unrealised losses from currency derivatives and translation of the balance sheet were £4.5m (2016: £1.2m gain).

Cashflow

For the financial year there was a cash inflow of £1.1m before debt financing compared with an outflow of £81.5m in 2016. Last year's cashflow was significantly affected by the sale of the Economist Complex and share buy-back transactions. Operating cashflow improved by 29% this year. This was due to the growth in the circulation of *The Economist* and the stronger dollar, which more than offset higher capital expenditure as the Group continues to invest in digital infrastructure and higher special pension contributions this year.

Change of auditors

In line with best practice, the Group decided to undertake a formal review of its external audit services and conduct a tender process to select auditors. PricewaterhouseCoopers LLP (or its predecessor firm) has been auditor of the Group since 1987. The audit committee performed the review in line with pre-agreed selection and assessment criteria and recommended the Board appoint Deloitte LLP as external auditors of the Group for audit services for the financial year ending March 31st 2018. A resolution to appoint Deloitte LLP will be made at the forthcoming AGM and is detailed on page 98.

Shane Naughton

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

Report on the financial statements

Our opinion
In our opinion:

- The Economist Newspaper Limited's Group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the company's affairs as at March 31st 2017 and of the Group's profit and the Group's cashflows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the annual report 2017 (the "annual report"), comprise:

- the consolidated and company balance sheets as at March 31st 2017;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated cashflow statement for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the Group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the strategic report and the directors' report. We have nothing to report in this respect.

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

What an audit of financial statements involves

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

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

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

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

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

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the strategic report and directors' report, we consider whether these reports include the disclosures required by applicable legal requirements.

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

June 21st 2017

Consolidated income statement

NOTE	Year ended March 31st	2017 £000	2016 £000
1,2	**Revenue**	**353,236**	**330,903**
	Cost of sales	(115,144)	(106,171)
	Gross profit	**238,092**	**224,732**
	Distribution costs	(37,795)	(34,408)
	Marketing, development and other administrative costs	(149,779)	(129,795)
	Operating profit before acquired intangible amortisation and exceptional items	**50,518**	**60,529**
	Acquired intangible amortisation	(394)	(171)
4	Exceptional items	3,894	302
2	**Operating profit**	**54,018**	**60,660**
6	Net finance costs	(7,613)	(6,527)
	Profit on sale of investment	2,946	-
1,2	**Profit before tax**	**49,351**	**54,133**
7	Income tax	(7,988)	(10,639)
	Profit for the year from continuing operations	**41,363**	**43,494**
8	Profit for the year from discontinued operations	-	107,575
	Profit for the year	**41,363**	**151,069**
	Attributable to:		
	Equity holders of the company	41,363	151,069
	Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the company during the year		
9	**Basic (pence)**	**207.3**	**634.3**
9	Diluted (pence)	205.3	630.4
	Earnings per share for profit from continuing operations attributable to equity holders of the company during the year		
9	**Basic (pence)**	**192.5**	**182.6**
9	Diluted (pence)	190.6	181.5
10	Dividends per share on a cash basis (pence)	193.2	152.8
10	Dividends per share including proposed dividends (pence)	183.4	183.4

Consolidated statement of comprehensive income

Year ended March 31st

NOTE		2017 £000	2016 £000
	Profit for the year	**41,363**	**151,069**
	Items that may be reclassified subsequently to the income statement:		
24	Change in fair value of cashflow hedges	3	(1,104)
	Net exchange differences on translation of net investments in overseas subsidiary undertakings	10,114	(145)
	Net exchange differences on foreign currency loans	(8,751)	(1,579)
	Items that will not be reclassified in the income statement:		
22	Remeasurement of retirement benefit obligations	(29,150)	30,039
	Attributable tax	4,996	(6,008)
	Other comprehensive (expense)/income for the year	(22,788)	21,203
	Total comprehensive income for the year	**18,575**	**172,272**
	Attributable to:		
	Equity holders of the company	18,575	172,272

Consolidated balance sheet

NOTE	As at March 31st	2017 £000	2016 £000
12	Property, plant and equipment	10,355	9,886
13	Intangible assets	153,523	128,597
15	Deferred income tax assets	9,753	5,933
16	Other financial assets	100	1,876
	Non-current assets	**173,731**	**146,292**
17	Inventories	1,518	1,325
18	Trade and other receivables	63,934	62,289
16	Other financial assets	-	830
19	Cash and cash equivalents	22,557	35,765
	Current assets	**88,009**	**100,209**
	Total assets	**261,740**	**246,501**
20	Trade and other liabilities	(17,311)	(13,910)
21	Financial liabilities - borrowings	(116,134)	(119,744)
15	Deferred income tax liabilities	(11,419)	(8,366)
22	Retirement benefit obligations	(35,797)	(11,727)
23	Provisions for other liabilities and charges	(2,844)	(5,704)
	Other liabilities	(3,763)	(4,067)
	Non-current liabilities	**(187,268)**	**(163,518)**
20	Trade and other liabilities	(152,180)	(131,044)
21	Financial liabilities - borrowings	(11,282)	(13,049)
24	Financial liabilities - derivative financial instruments	(1,101)	(1,104)
	Current income tax liabilities	(6,197)	(14,429)
23	Provisions for liabilities and charges	(861)	-
	Other liabilities	(529)	(627)
	Current liabilities	**(172,150)**	**(160,253)**
	Total liabilities	**(359,418)**	**(323,771)**
	Net liabilities	**(97,678)**	**(77,270)**
	Equity		
27	Share capital	1,260	1,260
28	ESOP shares	(2,903)	(2,480)
29	Treasury shares	(188,823)	(188,823)
	Translation reserve	(5,349)	(6,715)
	Retained earnings	98,137	119,488
	Total equity	**(97,678)**	**(77,270)**

The consolidated financial statements were approved by the Board of directors and authorised for issue on June 20th 2017. They were signed on its behalf by:

Rupert Pennant-Rea
Chris Stibbs
Directors

The Economist Newspaper Limited registered number 236383

Consolidated statement of changes in equity

Year ended March 31st 2017

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

Year ended March 31st 2016

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

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

Consolidated cashflow statement

Year ended March 31st	2017	2016
	£000	£000
Cashflows from operating activities		
Operating profit - continuing businesses	54,018	60,660
Operating profit - discontinued businesses	-	4,823
Depreciation, amortisation and impairment charges	6,969	3,994
Acquisition costs	200	226
Inventories	(142)	676
Trade and other receivables	3,976	(2,526)
Trade and other liabilities	2,128	(16,330)
Retirement benefit obligations	(5,531)	(3,072)
Provisions	819	-
Cash generated from operations	**62,437**	**48,451**
Income taxes paid	(12,661)	(8,589)
Net cash generated from operating activities	**49,776**	**39,862**
Investing activities		
Interest received	1,283	30
Purchase of intangible assets	(7,460)	(5,185)
Purchase of property, plant and equipment	(2,693)	(2,519)
(Costs relating to)/proceeds from sale of property, plant and equipment	(871)	79,038
Proceeds from sale of investments	2,224	-
Proceeds from sale of investment property	-	41,250
Purchase of subsidiary undertakings, net of cash acquired	(1,535)	(3,322)
Net (cash used in)/generated from investing activities	**(9,052)**	**109,292**
Financing activities		
Dividends paid	(38,560)	(36,862)
Interest paid	(6,146)	(6,164)
(Purchase)/sale of own shares	(423)	39
Purchase of treasury shares	(474)	(188,349)
Proceeds from repayment of loan notes	2,665	-
Proceeds from borrowings	27,889	137,511
Repayment of borrowings	(42,243)	(67,306)
Finance lease principal payments	-	(1)
Net cash used in financing activities	**(57,292)**	**(161,132)**
Effects of exchange rate changes on cash and cash equivalents	3,360	655
Net decrease in cash and cash equivalents	(13,208)	(11,323)
Cash and cash equivalents at the beginning of the year	35,765	47,088
Cash and cash equivalents at the end of the year	**22,557**	**35,765**

Consolidated cashflow statement (continued)

Year ended March 31st	2017	2016
Net debt	£000	£000
Net debt at beginning of the year	(97,028)	(16,957)
Net decrease in cash and cash equivalents	(13,208)	(11,323)
Proceeds from borrowings	(27,889)	(137,511)
Repayment of borrowings	42,243	67,307
Loan issue costs	-	683
Other non-cash changes	(226)	2,352
Effect of foreign-exchange rate movements	(8,751)	(1,579)
Net debt at the end of the year	**(104,859)**	**(97,028)**

Net debt comprises:		
Cash at bank and in hand	22,557	35,765
Total cash and cash equivalents	22,557	35,765
Borrowings	(127,416)	(132,793)
Total net debt	**(104,859)**	**(97,028)**

Notes to the consolidated financial statements

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

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

These consolidated financial statements were approved for issue by the Board of directors on June 20th 2017.

Note 1 Accounting policies

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

a. Basis of preparation

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

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

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

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

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

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

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

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

IAS 7 "Statement of Cash Flows", effective for annual reporting periods beginning on or after January 1st 2017. The amendments to disclosure requirements aim to assist users of financial statements to evaluate changes in an entity's liabilities arising from financing activities. The Group is currently confirming the impacts of the new requirements which are not expected to be material.

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

2. Critical accounting assumptions and judgments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas requiring a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are discussed in the relevant accounting policies under the following headings and in the notes to the accounts where appropriate:

- Consolidation: Business combinations – determination of fair values (notes 1b and 33);
- Intangible assets: Goodwill (notes 1e and 13);
- Intangible assets: Acquired customer lists and contracts (notes 1e and 13);
- Taxation (notes 1l, 7 and 15);
- Employee benefits: Pensions (notes 1m and 22); and
- Employee benefits: Share-based payments (notes 1m and 11).

b. Consolidation

1. Business combinations

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

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

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

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

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

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

2. Subsidiaries

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

c. Foreign currency translation

1. Functional and presentation currency

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

2. Transactions and balances

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

3. Group companies

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

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

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

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

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

The principal overseas currency for the Group is the US dollar. The average rate for the year against sterling was $1.31 (2016: $1.51) and the year-end rate was $1.25 (2016: $1.44).

d. Property, plant and equipment

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

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

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

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

The carrying value of an asset is written

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

e. Intangible assets

1. Goodwill

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

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

A description of the key assumptions and sensitivities is included in note 13. Goodwill is allocated to aggregated cash-generating units for the purpose of impairment testing. The allocation is made to those aggregated cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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

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

2. Acquired software

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

3. Internally developed software

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

4. Acquired intangible assets

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

f. Other financial assets

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

g. Inventories

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

h. Cash and cash equivalents

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

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

i. Share capital

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

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

j. Borrowings

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

k. Derivative financial instruments

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

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

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

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

l. Taxation

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

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

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

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

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

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

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

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

m. Employee benefits

1. Pensions

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

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

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

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

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

2. Other post-retirement obligations

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

3. Share-based payments

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

The fair value of the options granted is measured and updated using an option-pricing model that is most appropriate to the award.

The key assumptions used in calculating the fair value of the awards are the discount rate, the Group's share-price volatility, dividend yield, risk-free rate of return and expected option life. These assumptions are set out in note 11. Management regularly performs a true-up of the estimate of the number of awards that are expected to vest. This is dependent on the anticipated number of leavers. In addition to the key assumptions above, the value of the awards is dependent upon the future profits of the Group and the Group's relative market performance, which management is required to estimate.

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

n. Provisions

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

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

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

o. Revenue recognition

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

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

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

the final product in accordance with the contract.

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

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

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

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

p. Leases

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

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

q. Dividends

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

r. Trade receivables

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

NOTE 2 Segment information

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

	Revenue		Operating profit	
	2017	2016	2017	2016
Analysis by business	£000	£000	£000	£000
The Economist Businesses	242,624	230,029	19,930	29,574
The Economist Intelligence Unit	60,788	52,146	17,921	16,284
CQ Roll Call	49,824	48,728	12,667	14,671
Revenue/operating profit before exceptional items	353,236	330,903	50,518	60,529
Acquired intangible amortisation (note 13)	-	-	(394)	(171)
Exceptional items (note 4)	-	-	3,894	302
	353,236	330,903	54,018	60,660

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

	Revenue		Profit before tax		Net (liabilities)/assets	
	2017	2016	2017	2016	2017	2016
Analysis by origin of legal entity	£000	£000	£000	£000	£000	£000
United Kingdom	197,237	192,788	25,198	31,595	(76,652)	(33,858)
Continental Europe	-	-	516	560	(103,728)	(105,319)
Middle East and Africa	408	506	(79)	76	25	69
North America	135,907	121,247	19,793	17,710	62,392	46,722
South America	187	145	(134)	(14)	(70)	50
Asia	19,497	16,217	4,057	4,206	20,355	15,066
	353,236	330,903	49,351	54,133	(97,678)	(77,270)

	2017	2016
Revenue by customer location	£000	£000
United Kingdom	65,343	54,627
North America	170,280	161,829
Continental Europe	48,638	48,750
Asia	52,478	46,483
Other	16,497	19,214
	353,236	330,903

NOTE 3 Operating expenses

By function	2017 £000	2016 £000
Other product costs	31,717	29,780
Distribution and fulfilment	36,917	33,037
Employee benefit costs	122,995	109,484
Contract labour	16,955	17,010
Employee-related expense	8,618	7,257
Promotional costs	40,563	36,490
Depreciation of property, plant and equipment (note 12)	4,766	2,531
Amortisation of acquired intangible assets (note 13)	394	171
Amortisation of software and other intangibles (note 13)	1,809	1,121
Property and facilities	7,363	6,107
Technology and communications	11,538	10,004
Professional and outsourced services	9,804	8,670
Other general and administrative costs	1,118	983
Acquisition costs	200	226
Operating lease charges	6,692	8,858
Foreign exchange loss/(gain)	4,511	(1,214)
Provisions for contingent consideration relating to acquisitions	(7,163)	-
Other net losses/(gains)	421	(272)
Total costs	299,218	270,243

During the year the Group obtained the following services from the Group's auditors:	2017 £000	2016 £000
The audit of parent company and consolidated financial statements	169	248
The audit of the company's subsidiaries	389	339
Total audit fees	558	587
Other assurance services	116	124
Tax compliance services	61	105
Tax advisory services	43	30
Other services	99	86
Total non-audit services	319	345
Total Group auditor's remuneration	877	932

NOTE 4 Exceptional items

The following exceptional items have been (credited)/charged to operating profit:	2017 £000	2016 £000
Release of provisions for contingent consideration relating to acquisitions (see note 23)	(7,163)	-
Revaluation of derivative financial instruments through income statement (see note 26)	-	(2,348)
Reorganisation costs (see note 5)	2,408	2,046
Onerous lease provision (see note 23)	861	-
	(3,894)	(302)

NOTE 5 Employee information

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

	2017		2016	
Analysis by business	Monthly average	Year-end	Monthly average	Year-end
The Economist Businesses	808	848	803	796
The Economist Intelligence Unit	356	368	313	331
CQ Roll Call	229	221	247	245
	1,393	1,437	1,363	1,372

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

	2017	2016
Employee benefit costs including directors' emoluments	£000	£000
Wages and salaries	104,684	92,935
Social security costs	9,224	8,084
Share-based payment costs	2,236	1,500
Retirement benefits - defined-benefit plans	2,652	3,111
Retirement benefits - defined-contribution plans	4,199	4,169
	122,995	109,799

Wages and salaries include £2,408,000 (2016: £2,046,000) of restructuring-related costs. During the year, there were reorganisations within The Economist Media and CQ Roll Call businesses.

The employee benefit cost relating to discontinued operations was £nil (2016: £315,000) and there were no employees (2016: seven).

NOTE 6 Net finance cost

	2017	2016
	£000	£000
Interest receivable	76	923
Finance income	76	923
Interest payable on bank loans and overdrafts	(1,588)	(1,084)
Amortisation of issue costs of loans	(226)	(184)
Movements in acquisition contingent consideration	(685)	(376)
Net finance costs in respect of retirement benefits	(238)	(1,370)
Interest payable on other loans	(4,455)	(3,981)
Other finance charges	(497)	(455)
Finance costs	(7,689)	(7,450)
Net finance costs	(7,613)	(6,527)

NOTE 7 Income tax

Current tax expense	2017 £000	2016 £000
UK corporation tax expense	3,893	5,319
Foreign tax expense	996	1,468
Adjustment in respect of prior years	405	(100)
	5,294	6,687
Deferred tax expense		
Current year	2,480	4,931
Adjustments in respect of prior years	214	(979)
	2,694	3,952
Total tax expense in income statement	7,988	10,639
Effective tax rate	16%	20%

The UK corporation tax rate for the year is 20% (2016: 20%). The tax on the Group's profit before tax differs from the theoretical amount that would arise using the UK tax rate for the reasons set out in the following reconciliation:

	2017 £000	2016 £000
Profit before tax	49,351	54,133
Tax calculated at UK rate of 20% (2016: 20%)	9,870	10,827
Factors affecting the tax charge:		
Disallowed expenditure	979	416
Non-taxable income	(2,399)	(29)
Different tax rates of subsidiaries operating in overseas jurisdictions	2,520	1,201
US state taxes	(50)	17
Profit on sale of investment	(589)	-
Impact of Group financing	(1,230)	(1,653)
Utilisation of previously unrecognised tax losses and credits	30	(4)
Movement on uncertain tax provisions	(1,837)	552
Other	56	78
Adjustments in respect of prior years	619	(1,079)
Effect of change in tax rates on deferred tax	19	313
Total tax expense for the year	7,988	10,639
UK	5,429	6,663
Overseas	2,559	3,976
Total tax expense	7,988	10,639

NOTE 7 Income tax (continued)

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

	2017 £000	2016 £000
Current tax	712	-
Deferred tax (note 15)	4,284	(6,008)
	4,996	(6,008)

A tax charge of £433,000 (2016: £6,614,000) has been shown within profit after tax relating to discontinued operations.

NOTE 8 Discontinued operations

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

	2017 £000	2016 £000
Revenue	-	3,760
Operating profit	-	4,823
Finance costs	-	(191)
Profit before tax	-	4,632
Income tax	-	(908)
Profit after tax	-	3,724
Profit on disposal of the Economist Complex	-	109,557
Attributable tax	-	(5,706)
Profit for the year from discontinued operations	-	107,575
Operating cashflows	-	4,163
Investing cashflows	-	120,288
Financing cashflows	-	(191)
Total cashflows	-	124,260

NOTE 9 Earnings per share

Basic

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

Diluted

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

	2017 £000	2016 £000
Profit for the year from continuing operations	41,363	43,494
Profit for the year from discontinued operations	-	107,575
Profit for the year	41,363	151,069
Adjustment in respect of non-operating exceptional items		
- Profit on sale of investments	(2,946)	-
- Profit on sale of business	-	(109,557)
- Attributable taxation	-	5,706
Normalised earnings	38,417	47,218

	000s	000s
Weighted average number of shares	19,953	23,816
Effect of dilutive share options (restricted share scheme units)	199	149
Weighted average number of shares for diluted earnings	20,152	23,965

	2017 Pence	2016 Pence
Earnings per share from continuing and discontinued operations		
Basic	207.3	634.3
Diluted	205.3	630.4
Earnings per share from continuing operations		
Basic	192.5	182.6
Diluted	190.6	181.5
Earnings per share from discontinued operations		
Basic	-	451.7
Diluted	-	448.9
Normalised earnings per share (before non-operating exceptional items)		
Basic	192.5	198.3
Diluted	190.6	197.0

NOTE 10 Dividends

Cash dividends paid	2017 £000	2016 £000
Final dividend for previous year of 129.8p per share (2016: 99.2p per share)	25,908	24,798
Interim paid of 63.4p per share (2016: 53.6p per share)	12,652	12,064
	38,560	36,862

All shareholders other than holders of trust and treasury shares (see notes 27 and 29) receive the above dividend per share. Dividends amounting to £389,000 (2016: £304,000) in respect of the company's shares held by the ESOP (note 28) have been deducted in arriving at the aggregate of dividends paid.

Dividends proposed in respect of the year	2017 £000	2016 £000
Interim dividend paid of 63.4p per share (2016: 53.6p per share)	12,652	12,064
Final dividend proposed of 120.0p per share (2016: 129.8p per share)	23,938	25,908
	36,590	37,972

The directors are proposing a final dividend in respect of the financial year ended March 31st 2017 of 120.0p. Dividends amounting to £255,000 in respect of the company's shares held by the ESOP have been deducted in arriving at the total dividend proposed of £23,938,000. The proposed final dividend is subject to approval by shareholders and has not been recognised as a liability in these financial statements.

NOTE 11 Share-based payments

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

	2017 £000	2016 £000
Long-term incentive plan (cash settled)	-	(496)
Restricted share scheme (cash or share settled)	2,236	1,996
	2,236	1,500

Share-based payment charges included in discontinued operations amounted to £nil (2016: £nil).

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

	2017 £000	2016 £000
Restricted share scheme (cash or equity settled)	4,139	2,853

Analysed as:

	2017 £000	2016 £000
Current liabilities	1,259	1,368
Non-current liabilities	2,880	1,485
	4,139	2,853

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

Long-term incentive plan (LTIP) - discontinued

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

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

	2017	2016
Fair value (£)	n/a	-
Weighted average share price (£)	n/a	33.29
Weighted average exercise price (£)	n/a	26.00
Expected volatility (%)	n/a	n/a
Expected life (months)	n/a	-
Risk-free rate (%)	n/a	n/a
Expected dividend yield (%)	n/a	n/a
Forfeiture rate (%)	n/a	n/a

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

NOTE 11 Share-based payments (continued)

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

	2017		2016	
	No. of units	Weighted average fair value (£)	No. of units	Weighted average fair value (£)
Outstanding at April 1st	248,997	-	550,737	1.34
Granted during the year	-	-	4,529	-
Forfeited during the year	-	-	(35,010)	-
Expired during the year	(248,997)	-	(271,259)	-
Outstanding at March 31st	-	-	248,997	-
Options exercisable at March 31st	-	-	248,997	-

Restricted share scheme (RSS)

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

	2017		2016	
Restricted share scheme	No. of options	Weighted average share price (£)	No. of options	Weighted average share price (£)
Outstanding at April 1st	149,250	34.78	76,750	31.05
Granted during the year	80,000	32.55	95,500	33.93
Forfeited during the year	(5,500)	(34.36)	-	-
Exercised during the year	(24,750)	(36.58)	(23,000)	(28.48)
Outstanding at March 31st	199,000	33.34	149,250	34.78
Exercisable at March 31st	28,750	33.77	24,750	36.46

The weighted average remaining contractual life for outstanding options at March 31st 2017 was 18 months (2016: 20 months).

NOTE 12 Property, plant and equipment

Cost	Leasehold buildings Long £000	Short £000	Plant and machinery £000	Equipment £000	Total £000
At April 1st 2015	12,655	6,082	976	29,470	49,183
Additions	-	418	-	1,624	2,042
Disposals	-	(1,182)	-	-	(1,182)
Disposal through business disposal	(9,073)	-	-	(515)	(9,588)
Exchange differences	94	73	-	230	397
At March 31st 2016	3,676	5,391	976	30,809	40,852
Additions	2,287	242	-	2,063	4,592
Disposals	-	-	-	(64)	(64)
Exchange differences	569	278	-	1,376	2,223
At March 31st 2017	6,532	5,911	976	34,184	47,603

Accumulated depreciation	Leasehold buildings Long £000	Short £000	Plant and machinery £000	Equipment £000	Total £000
At April 1st 2015	5,550	2,554	976	25,149	34,229
Charge for the year	384	545	-	1,720	2,649
Disposals	-	(1,182)	-	-	(1,182)
Disposal through business disposal	(4,512)	-	-	(499)	(5,011)
Exchange differences	29	54	-	198	281
At March 31st 2016	1,451	1,971	976	26,568	30,966
Charge for the year	2,343	632	-	1,791	4,766
Disposals	-	-	-	(51)	(51)
Exchange differences	225	159	-	1,183	1,567
At March 31st 2017	4,019	2,762	976	29,491	37,248
Carrying amounts:					
At April 1st 2015	7,105	3,528	-	4,321	14,954
At March 31st 2016	2,225	3,420	-	4,241	9,886
At March 31st 2017	2,513	3,149	-	4,693	10,355

Depreciation expense of £202,000 (2016: £146,000) has been included in the income statement in cost of sales and £4,564,000 (2016: £2,503,000) in administrative costs. In 2017 £nil (2016: £171,000) relates to discontinued operations.

NOTE 13 Intangible assets

Cost	Goodwill £000	Acquired technology & databases £000	Acquired customer relationships £000	Licences and software £000	Intangible assets in development £000	Total £000
At April 1st 2015	145,717	-	1,156	8,083	-	154,956
Additions	7,087	510	534	1,978	3,482	13,591
Exchange differences	3,471	46	36	95	-	3,648
At March 31st 2016	156,275	556	1,726	10,156	3,482	172,195
Additions	-	-	-	3,171	4,731	7,902
Acquisition through business combination	3,214	-	1,052	-	-	4,266
Transfer	-	-	-	1,309	(1,309)	-
Exchange differences	18,574	-	268	776	-	19,618
At March 31st 2017	178,063	556	3,046	15,412	6,904	203,981

Accumulated amortisation	Goodwill £000	Acquired technology & databases £000	Acquired customer relationships £000	Licences and software £000	Intangible assets in development £000	Total £000
At April 1st 2015	35,112	-	21	6,395	-	41,528
Charge for the year	-	46	125	1,121	-	1,292
Exchange differences	692	-	1	85	-	778
At March 31st 2016	35,804	46	147	7,601	-	43,598
Charge for the year	-	85	309	1,809	-	2,203
Exchange differences	4,066	6	23	562	-	4,657
At March 31st 2017	39,870	137	479	9,972	-	50,458
Carrying amounts:						
At April 1st 2015	110,605	-	1,135	1,688	-	113,428
At March 31st 2016	120,471	510	1,579	2,555	3,482	128,597
At March 31st 2017	138,193	419	2,567	5,440	6,904	153,523

NOTE 13 Intangible assets (continued)

Goodwill

The goodwill carrying value of £138,193,000 relates to acquisitions completed after January 1st 1998. Prior to January 1st 1998, all goodwill was written off to reserves on the date of acquisition. For acquisitions completed between January 1st 1998 and March 31st 2014, no value was ascribed to intangibles other than goodwill and goodwill on each acquisition was amortised over a period of up to 20 years. On adoption of IFRS on April 1st 2014, the Group chose not to restate the goodwill balance and at that date the balance was frozen (amortisation ceased). If goodwill had been restated then a significant value would have been ascribed to other intangible assets, which would be subject to amortisation, and the carrying value of goodwill would be significantly lower. For acquisitions completed after April 1st 2014, value has been ascribed to other intangible assets which are amortised.

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

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

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

Further disclosures in accordance with IAS 36 are provided where the Group holds an individual goodwill item relating to a CGU that is significant, which the Group considers to be 15% of the total net book value, in comparison with the Group's total carrying value of goodwill. The only significant item of goodwill included in the net book value relates to CQ Roll Call. Using the above methodology, a pre-tax discount rate of 10.5% and long-term growth rate of 3%, the recoverable amount exceeded the total carrying value by £78,731,000. The directors performed a sensitivity analysis on the total carrying value of this CGU. For the recoverable amount to fall to the carrying value, the discount rate would need to be increased to 18.6% or the long-term profitability would need to decline by 15% per year.

The cumulative goodwill written off to the income statement by the Group is £17,943,000 (2016: £17,943,000) and arises mainly from the purchase of Business International in 1988 and Roll Call, Inc in 1992 and 1993.

Other intangible assets

Other intangibles include licences, software developed internally, acquired customer relationships and acquired software and databases.

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

NOTE 14 Investments

On May 2nd 2016, the Group disposed of its minority equity interest in CFO Publishing Holdings Inc for sales proceeds of £2,946,000. Other receivables includes an amount of £723,000 representing amounts held in escrow pending completion of the warranty period.

NOTE 15 Deferred income tax

	2017 £000	2016 £000
Deferred income tax assets	9,753	5,933
Deferred income tax liabilities	(11,419)	(8,366)
	(1,666)	(2,433)

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

Deferred income tax assets and liabilities may be offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. At March 31st 2017, the Group had unrecognised deferred income tax assets of £75,000 (2016: £389,000) in respect of trading and capital losses.

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

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

	2017 £000	2016 £000
At April 1st	(2,433)	7,720
Exchange differences	(817)	(216)
Charge to the income statement	(2,675)	(3,639)
Acquisition through business combination	(6)	-
Credit/(charge) to other comprehensive income	4,284	(6,008)
Other transfers	-	23
Effect of change in tax rates	(19)	(313)
At March 31st	(1,666)	(2,433)

The charge to the income statement includes a credit of £nil (2016: £25,000) relating to discontinued operations.

NOTE 15 Deferred income tax (continued)

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

Deferred income tax assets	Trading losses £000	Retirement benefit obligations £000	Other £000	Total £000
At April 1st 2015	607	8,692	4,439	13,738
Exchange differences	-	-	19	19
Charge to income statement	(280)	(339)	(907)	(1,526)
Charge to other comprehensive income	-	(6,008)	-	(6,008)
Other transfers	-	-	23	23
Effect of change in tax rates	-	(235)	(78)	(313)
At March 31st 2016	327	2,110	3,496	5,933
Exchange differences	40	-	47	87
Acquisition through business combination	-	-	(6)	(6)
Charge to income statement	(63)	(202)	(235)	(500)
Credit to other comprehensive income	-	4,283	1	4,284
Other transfers	5	-	(31)	(26)
Effect of change in tax rates	-	(106)	87	(19)
At March 31st 2017	309	6,085	3,359	9,753

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

Deferred income tax liabilities	Goodwill and intangibles £000	Other £000	Total £000
At April 1st 2015	(5,249)	(769)	(6,018)
Exchange differences	(235)	-	(235)
Charge to income statement	(1,890)	(223)	(2,113)
At March 31st 2016	(7,374)	(992)	(8,366)
Exchange differences	(796)	(108)	(904)
(Charge)/credit to income statement	(3,157)	982	(2,175)
Other transfers	-	26	26
At March 31st 2017	(11,327)	(92)	(11,419)

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

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

NOTE 16 Other financial assets

	2017	2016
	£000	£000
At April 1st	2,706	2,637
Additions	100	-
Redemption of loan notes	(2,665)	-
Exchange differences	(41)	69
At March 31st	100	2,706

	2017	2016
Included as:	£000	£000
Current assets	-	830
Non-current assets	100	1,876
	100	2,706

Other financial assets comprise a 5% equity interest in Parable Ventures Limited, a start-up virtual reality business. During the year, the Group received proceeds of £2,665,000 on the redemption of loan notes held in CFO Publishing Holdings Inc, interest of £1,251,000 and a return on its minority equity interest of £2,224,000 following the sale of the business.

NOTE 17 Inventories

	2017	2016
	£000	£000
Raw materials	467	432
Work-in-progress	962	842
Finished goods	89	51
	1,518	1,325

No inventories are pledged as security.

NOTE 18 Trade and other receivables

	2017	2016
Current	£000	£000
Trade receivables	40,907	40,246
Other receivables	3,321	4,176
Prepayments and accrued income	19,706	17,867
	63,934	62,289

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

	2017	2016
	£000	£000
At April 1st	1,020	1,079
Income statement movements	1,004	579
Utilised	(876)	(643)
Exchange differences	16	5
At March 31st	1,164	1,020

NOTE 18 Trade and other receivables (continued)

The ageing of the Group's trade receivables which are not impaired is as follows:	2017 £000	2016 £000
Within the due date	26,463	26,089
Past due less than a month	8,495	9,150
Past due more than a month but less than two months	4,956	4,617
Past due more than two months but less than three months	2,822	2,578
Past due more than three months	1,580	1,255
Total trade receivables	44,316	43,689
Less: provision for sales returns	(3,409)	(3,443)
Net trade receivables	40,907	40,246

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

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

NOTE 19 Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	14,810	12,069
Short-term bank deposits	7,747	23,696
	22,557	35,765

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

At the end of the year the currency split of cash and cash equivalents was US dollar 62% (2016: 45%), sterling 7% (2016: 38%), euro 7% (2016: 7%) and other 24% (2016: 10%).

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

NOTE 20 Trade and other liabilities

Current	2017 £000	2016 £000
Trade payables	17,378	14,693
Social security and other taxes	1,610	864
Accruals	18,321	18,284
Liability for share-based payments	1,259	1,368
Deferred income	110,508	92,982
Other liabilities	3,104	2,853
	152,180	131,044
Non-current		
Liability for share-based payments	2,880	1,485
Deferred income	14,431	12,425
	17,311	13,910
Total	169,491	144,954

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

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

NOTE 21 Financial liabilities: borrowings

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

Non-current	2017 £000	2016 £000
8.53% loan note 2019-20 (nominal amount $8,333,333)	6,666	8,639
8.32% loan note 2019-20 (nominal amount $20,000,000)	15,978	20,714
5.89% loan note 2022-23 (nominal amount $14,500,000)	11,596	10,025
5.75% loan note 2023-24 (nominal amount $14,167,667)	11,372	9,844
Bank loans	70,522	70,522
	116,134	119,744
Current - due within one year or on demand		
8.53% loan note 2019-20 (nominal amount $4,166,667)	3,312	2,863
8.32% loan note 2019-20 (nominal amount $10,000,000)	7,970	6,892
Bank loans	-	3,294
	11,282	13,049
Total borrowings	127,416	132,793

More detail on the Group's accounting for financial instruments is included in the Group's accounting policies. The Group's approach to managing risks in relation to financial instruments is described in note 26.

NOTE 21 Financial liabilities: borrowings (continued)

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

	2017 £000	2016 £000
Between one and two years	11,282	9,755
Between two and five years	81,884	90,120
Over five years	22,968	19,869
	116,134	119,744

		2017		2016	
	Effective interest rate %	Carrying value £000	Market value £000	Carrying value £000	Market value £000
8.53% loan note 2019-20 (nominal amount $12,500,000)	8.53	9,978	10,034	11,502	11,582
8.32% loan note 2019-20 (nominal amount $30,000,000)	8.32	23,948	24,081	27,606	27,796
5.89% loan note 2022-23 (nominal amount $14,500,000)	5.89	11,596	11,639	10,025	10,074
5.75% loan note 2023-24 (nominal amount $14,167,667)	5.75	11,372	11,372	9,844	9,844
Bank loans	n/a	70,522	71,000	73,816	74,430
		127,416	128,126	132,793	133,726

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

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

	2017 £000	2016 £000
US dollar	56,894	58,977
Sterling	70,522	73,816
	127,416	132,793

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

	2017 £000	2016 £000
Floating rate - expiring beyond one year	49,000	49,000

NOTE 22 Retirement benefit and other post-retirement obligations

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

	2017 £000	2016 £000
UK Group scheme	33,281	9,428
Unfunded retirement benefit scheme	245	214
Post-retirement medical benefits	2,271	2,085
	35,797	11,727

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

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

The Group agreed that the funding shortfall will be eliminated by May 31st 2020. In the year ended March 31st 2017 the Group contributed £5,745,000 (2016: £2,620,000) towards the funding shortfall. Following the completion of the triennial funding valuation, the Group has agreed to contribute £2,100,000 per year until May 2020 in excess of regular contributions. In addition, a mechanism has been agreed for the Group to make supplementary payments if actual salary increases during the funding term cause a further strain on the deficit. Regular contributions to the scheme are estimated to be £2,269,000 for 2017-18.

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

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

NOTE 22 Retirement benefit and other post-retirement obligations (continued)

UK Group scheme

The valuation of the UK Group scheme has been updated by independent actuaries to March 31st 2017. The major assumptions used to determine this valuation are as follows:

	2017	2016
	%	%
Inflation	3.35	3.05
Increase in pensionable salaries	3.35	3.05
Increase in pensions in payment	3.20	2.95
Increase in deferred pensions	2.75	2.45
Discount rate for scheme liabilities	2.70	3.75

The discount rate is based on corporate bond yields adjusted to reflect the duration of liabilities. The inflation rate has been calculated with reference to the inflation spot yield curve at a term based on the duration of the liabilities. The expected rate of increase in salaries has been set at 3.0% in 2017.

The mortality assumptions used in the valuation of the scheme are summarised in the table below, and have been selected to reflect the characteristics and the experience of the membership of the plan. This has been done by using SAPS2 light tables with longevity projection based on CMI 2016 and the year in which the member was born, with a 1% per-year underpin to future improvements (2016: SAPS2 light tables, CMI 2015, year of birth, 1% per annum underpin).

	2017	2016
	years	years
Longevity at age 65 for current retirees		
- Men	88.0	88.1
- Women	89.0	89.2
Longevity at age 65 for future retirees, current age 45		
- Men	89.0	89.3
- Women	90.2	90.6

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

	2017	2016
	£000	£000
Equities	178,810	145,501
Government and corporate bonds	81,568	93,190
Property	43,924	41,781
Multi-asset credit fund	25,202	-
Other	4,677	922
Fair value of scheme assets	334,181	281,394
Present value of scheme liabilities	(367,462)	(290,822)
Deficit in the scheme	(33,281)	(9,428)

NOTE 22 Retirement benefit and other post-retirement obligations (continued)

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

	2017		2016	
	Quoted market price £000	No quoted market price £000	Quoted market price £000	No quoted market price £000
UK equities	83,760	-	69,846	-
Non-UK equities	93,286	-	73,570	-
Private equity	-	1,764	-	2,085
UK corporate bonds	24,875	-	46,803	-
Index-linked securities	56,693	-	46,387	-
Multi-asset credit fund	25,202	-	-	-
Property	-	43,924	-	41,781
Other	4,226	451	439	483
	288,042	46,139	237,045	44,349

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

	2017 £000	2016 £000
Liquid - call less than 1 month	279,635	254,079
Less liquid - call 1-3 months	41,589	15,355
Liquid - call greater than 3 months	15,138	14,614

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

The assets do not include any of the Group's own financial instruments nor any property occupied by, or other assets used by, the Group. The actual return on scheme assets was £55,429,000 (2016: £1,896,000).

Fair value of scheme assets	2017 £000	2016 £000
At April 1st	281,394	288,600
Interest income	10,556	9,517
Return on scheme assets excluding interest income	44,873	(7,621)
Employee contributions	426	548
Employer contributions	7,815	4,985
Administration expenses	(280)	(395)
Payments from the scheme	(10,603)	(14,240)
At March 31st	334,181	281,394

NOTE 22 Retirement benefit and other post-retirement obligations (continued)

Present value of scheme liabilities	2017 £000	2016 £000
At April 1st	290,822	327,429
Current service cost	2,372	2,716
Interest expense	10,711	10,735
Gains from experience	(4,162)	(2,786)
Losses/(gains) from changes in financial assumptions	77,896	(33,580)
Employee contributions	426	548
Payments from the scheme - benefit payments	(10,603)	(14,240)
At March 31st	367,462	290,822

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

Sensitivity analysis of scheme liabilities

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

	Change in assumption by %	Impact on scheme liabilities %
Inflation	0.5	8.0
Pensionable salaries	0.5	1.5
Pensions in payment	0.5	7.5
Revaluation rate of deferred pensions	0.5	2.0
Discount rate	0.5	10.0

If the average expected age of death of pensioners lengthened by one year, the liabilities of the scheme would increase by 4.0% (2016: 3.2%).

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

Unfunded retirement benefit scheme

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

Assumptions	2017 %	2016 %
Increase in pensions in payment	3.20	2.95
Increase in deferred pensions	2.75	2.45
Discount rate for scheme liabilities	2.70	3.75

NOTE 22 Retirement benefit and other post-retirement obligations (continued)

Present value of scheme liabilities	2017 £000	2016 £000
At April 1st	214	2,247
Interest expense	8	75
Gains from experience	(1)	(1,039)
Losses/(gains) from changes in financial assumptions	39	(13)
Gains from changes in demographic assumptions	(6)	(12)
Payments from the scheme - benefit payments	(9)	(1,044)
At March 31st	245	214

Post-retirement medical benefit scheme

The Group provides post-retirement medical benefits to certain former employees. At March 31st 2017, 45 retired and former employees (2016: 48) were eligible to receive benefits. The liability was remeasured at the year-end by a qualified independent actuary as follows:

Assumptions	2017 %	2016 %
Healthcare premium inflation	5.35	5.05
Discount rate for scheme liabilities	2.70	3.75

Present value of scheme liabilities	2017 £000	2016 £000
At April 1st	2,085	2,383
Employer contributions	(146)	(145)
Interest expense	75	77
Losses/(gains) from experience	22	(65)
Losses/(gains) from changes in financial assumptions	269	(75)
Gains from changes in demographic assumptions	(34)	(90)
At March 31st	2,271	2,085

NOTE 22 Retirement benefit and other post-retirement obligations (continued)

Income statement

The amounts recognised in the income statement are as follows:

2017	UK Group scheme £000	UURBS £000	PRMB £000	Defined contribution £000	Total £000
Current service cost	2,372	-	-	4,199	6,571
Administration expenses	280	-	-	-	280
Total operating expense	2,652	-	-	4,199	6,851
Interest on scheme assets	(10,556)	-	-	-	(10,556)
Interest on scheme liabilities	10,711	8	75	-	10,794
Net finance expense	155	8	75	-	238
Net income statement charge	2,807	8	75	4,199	7,089

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

Other comprehensive income

The following (losses)/gains have been recognised in other comprehensive income:	2017 £000	2016 £000
UK Group scheme	(28,861)	28,745
Unfunded retirement benefit scheme	(32)	1,064
Post-retirement medical benefits	(257)	230
Total (losses)/gains recognised in year	(29,150)	30,039

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

Asset volatility

The scheme holds growth assets, whose returns may not be well correlated with the movement of the liabilities. As such the deficit in the scheme may increase as a result of asset volatility. To mitigate this risk, the trustees continually monitor the scheme's investment strategy and have a dynamic derisking plan in force. This policy reduces the level of growth assets held as scheme funding improves (subject to a minimum switch every six months). The current target allocation is 38% risk-reducing assets and 62% growth assets.

NOTE 22 Retirement benefit and other post-retirement obligations (continued)

Inflation risk

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

Longevity risk

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

Changes in bond yields

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

Salary risk

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

NOTE 23 Provisions for other liabilities and charges

	Contingent consideration £000	Property lease £000	Total £000
At April 1st 2016	5,704	-	5,704
Provision in the year	3,419	861	4,280
Release in the year	(7,163)	-	(7,163)
Exchange differences	884	-	884
At March 31st 2017	2,844	861	3,705

Analysis of provisions:	2017 £000	2016 £000
Current	861	-
Non-current	2,844	5,704
	3,705	5,704

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

During the year, the provision for contingent consideration relating to the 2016 acquisition of Canback was released to the income statement as management's latest projections for the business indicate profits will fall below the level required to trigger a payment for contingent consideration.

CQ-Roll Call Inc moved to new premises in March 2017. A provision for property lease payments has been established, reflecting the net shortfall of sublet rental income receipts over lease-related payments throughout the remainder of the lease on the former head-office premises.

NOTE 24 Derivative financial instruments

			2017
	Gross notional amounts	Assets	Liabilities
Forward foreign US dollar exchange contracts - current	£000	£000	£000
In a fair value hedge relationship	36,673	332	(1,433)
Not in a hedge relationship	-	-	-
	36,673	332	(1,433)

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

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

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

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

NOTE 25 Classification of financial instruments

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

							2017
		Fair value		Amortised cost			
		Derivatives deemed held for trading	Derivatives in hedging relationships	Loans and receivables	Other liabilities	Total carrying value	Total market value
NOTE		£000	£000	£000	£000	£000	£000
16	Investments	-	-	100	-	100	100
19	Cash and cash equivalents	-	-	22,557	-	22,557	22,557
18	Trade receivables	-	-	40,907	-	40,907	40,907
	Total financial assets	-	-	63,564	-	63,564	63,564
24	Derivative financial instruments	-	(1,101)	-	-	(1,101)	(1,101)
20	Trade payables	-	-	-	(17,378)	(17,378)	(17,378)
23	Contingent consideration	-	-	-	(2,844)	(2,844)	(2,844)
21	Bank loans	-	-	-	(70,522)	(70,522)	(71,000)
21	Borrowings due within one year	-	-	-	(11,282)	(11,282)	(11,370)
21	Borrowings due after more than one year	-	-	-	(45,612)	(45,612)	(45,756)
	Total financial liabilities	-	(1,101)	-	(147,638)	(148,739)	(149,449)

NOTE 25 Classification of financial instruments (continued)

		Fair value		Amortised cost			2016
NOTE		Derivatives deemed held for trading £000	Derivatives in hedging relationships £000	Loans and receivables £000	Other liabilities £000	Total carrying value £000	Total market value £000
16	Loan notes	-	-	2,706	-	2,706	2,706
19	Cash and cash equivalents	-	-	35,765	-	35,765	35,765
18	Trade receivables	-	-	40,246	-	40,246	40,246
	Total financial assets	-	-	78,717	-	78,717	78,717
24	Derivative financial instruments	-	(1,104)	-	-	(1,104)	(1,104)
20	Trade payables	-	-	-	(14,693)	(14,693)	(14,693)
23	Contingent consideration	-	-	-	(5,704)	(5,704)	(5,704)
21	Bank loans	-	-	-	(73,816)	(73,816)	(74,430)
21	Borrowings due within one year	-	-	-	(9,755)	(9,755)	(9,843)
21	Borrowings due after more than one year	-	-	-	(49,222)	(49,222)	(49,453)
	Total financial liabilities	-	(1,104)	-	(153,190)	(154,294)	(155,227)

Transactions in derivative financial instruments are only undertaken to manage risks arising from underlying business activity, in accordance with the Group's treasury policy as described in note 26.

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

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

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

More detail on the Group's accounting for financial instruments is included in the Group's accounting policies. The Group's approach to managing risks in relation to financial instruments is described in note 26.

NOTE 26 Financial risk management

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

Treasury policy

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

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

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

Interest rate risk management

The Group's borrowings are in both sterling and US dollars. The Group's interest rate on its sterling borrowings are tied to LIBOR whereas the interest rate on its US dollar borrowings is fixed. The Group's exposure to interest rate fluctuations on its borrowings is managed by borrowing on a fixed-rate basis and by hedging interest rate exposures where appropriate. At March 31st 2017, there was no active hedging of interest rate exposures (2016: none).

NOTE 26 Financial risk management (continued)

Liquidity and refinancing risk management

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

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

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

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

NOTE 26 Financial risk management (continued)

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

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

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

The Group's debt facilities require it to meet certain covenants based on interest cover, net debt and profits adjusted for certain non-cash items and the impact of foreign exchange. Breaching the covenants would result in the Group being in default of the facilities potentially resulting in the facilities being withdrawn. Management regularly monitors the covenants and prepares detailed cashflow forecasts to ensure that sufficient headroom is available and that the covenants are not close or potentially close to breach. At March 31st 2017, the Group's net debt to EBITDA was 1.7 times or 1.8 times before exceptional items.

The Group also maintains undrawn committed borrowing facilities. At March 31st 2017, the committed facilities amounted to £49,000,000 (2016: £49,000,000) and their weighted average maturity was 2.6 years.

Financial counterparty risk management

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

NOTE 26 Financial risk management (continued)

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

Foreign currency risk management

The Group's principal foreign-exchange exposure is to the US dollar. The Group generates approximately 65% of its revenues in US dollars, including approximately 38% of the revenues of its UK-based businesses, and approximately 34% of its operating profits are US dollar-denominated. The Group is therefore exposed to foreign-exchange risk on the US dollar incomes in its UK businesses, the translation of results of foreign subsidiaries and external loans, as well as loans to and from foreign operations within the Group where the denomination of the loan is not in the functional currency of the lender/borrower.

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

	Assets		Liabilities	
	2017	2016	2017	2016
	£000	£000	£000	£000
US dollar	39,659	48,489	(64,278)	(74,506)

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

Cashflow hedges - maturing in less than one year	2017	2016
Average exchange rate	$1.31	$1.52
Foreign currency ($000)	47,416	39,395
Contract value (£000)	36,673	26,282
Fair value (£000)	(1,101)	(1,104)

As at March 31st 2017, the aggregate amount of unrealised losses under forward foreign-exchange contracts deferred in the fair value reserve relating to future income transactions is £1,101,000 (2016: £1,104,000). It is anticipated that the transactions will take place over the next 12 months at which stage the amount deferred in equity will be released to the income statement. There were no ineffective cashflow hedges in place at the year-end. In prior years, before the adoption of IFRS, the Group did not apply hedge accounting so no amounts were deferred in equity. Exceptional gains of £2,348,000 relating to the revaluation of foreign exchange forward contracts were credited to the income statement in 2015-16 (see note 4).

The Group has significant investments in overseas operations. The Group seeks to create a natural hedge to its exposure to US dollar-denominated overseas net assets through its policy of aligning the currency composition of its UK-based US dollar assets and liabilities. Included within year-end net debt, the net borrowings in US dollars were £42,943,000 (2016: £42,903,000).

NOTE 26 Financial risk management (continued)

Fair value of financial instruments

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

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

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

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

As at March 31st 2017 and the prior years, all the resulting fair value estimates have been included in level 2 apart from contingent consideration which is classified as level 3.

Capital risk management

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

The capital structure of the Group consists of debt, which includes cash deposits (note 19), borrowings (note 21) and equity attributable to equity holders comprising share capital, reserves and retained earnings as disclosed in the statement of changes in equity.

Other financial instruments not recorded at fair value

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

NOTE 26 Financial risk management (continued)

Financial instruments – sensitivity analysis

As at March 31st 2017, the sensitivity of the carrying value of the Group's financial instruments to fluctuations in interest rates and exchange rates is as follows:

		Impact of 1%		Impact of 10%	
	Carrying value £000	increase in interest rates £000	decrease in interest rates £000	stronger US dollar £000	weaker US dollar £000
Investments	100	-	-	-	-
Cash and cash equivalents	22,557	-	-	1,550	(1,268)
Other net financial assets	23,529	-	-	2,200	(1,800)
Derivative financial instruments	(1,101)	-	-	(4,229)	3,460
Contingent consideration	(2,844)	37	(40)	-	-
Bank loans	(70,522)	-	-	-	-
Borrowings	(56,894)	-	-	(6,322)	5,172
	(85,175)	37	(40)	(6,801)	5,564

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

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

NOTE 27 Share capital

	No. of shares	Share capital £000
At March 31st 2017 and 2016	25,200,000	1,260

	March 31st 2017 and 2016	
Issued, fully paid shares	Number	£000
"A" special shares of 5p each	1,260,000	63
"B" special shares of 5p each	1,260,000	63
Ordinary shares of 5p each	22,680,000	1,134
Trust shares of 5p each	100	-
	25,200,100	1,260

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

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

In 2016 the company acquired 5,040,000 of its own ordinary shares in two separate transactions from Pearson plc. The repurchased shares are held in treasury and carry no rights.

NOTE 28 Employee Share Ownership Plan (ESOP)

	No. of shares	£000
At April 1st 2015	201,563	2,519
Purchase of ESOP shares	19,965	615
Sale of ESOP shares	(22,023)	(654)
At March 31st 2016	199,505	2,480
Purchase of ESOP shares	26,773	861
Sale of ESOP shares	(13,641)	(438)
At March 31st 2017	212,637	2,903

The nominal value of the ESOP shares, which have a par value of 5p each, amounted to £10,632 (2016: £9,975). 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 2017, 199,000 (2016: 149,250) of the shares are under option to employees and have been conditionally granted to them.

NOTE 29 Treasury shares

	No. of shares	£000
At March 31st 2017 and 2016	5,040,000	188,823

In 2016, the Group repurchased 5,040,000 shares in The Economist Newspaper Limited and holds them in treasury. These shares are treated as treasury shares for accounting purposes and have a par value of 5p per share. The nominal value of the treasury shares amounts to £252,000 (2016: £252,000). The shares do not attach any voting rights or rights to dividends. The shares represent 20% of called-up share capital (2016: 20%).

NOTE 30 Financial commitments

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

Land and buildings, leases expiring	2017 £000	2016 £000
Within one year	13,290	8,851
Between two and five years	38,684	21,918
After five years	30,676	11,624
	82,650	42,393

At March 31st 2017, there was £5,617,000 capital expenditure contracted for but not provided in the financial statements (2016: £3,064,000).

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

NOTE 31 Related party transactions

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

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

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

	2017 £000	2016 £000
Salaries and short-term employment benefits	5,004	4,175
Retirement benefits	103	394
Share-based payment costs	2,127	1,752
	7,234	6,321
Of which:		
Executive directors	1,646	1,491
Non-executive directors	408	394
Other Group management committee executives	5,180	4,436
	7,234	6,321

The directors who served during the year received dividends of £228,000 (2016: £217,000) in respect of shares held in the company.

NOTE 32 Events after the balance-sheet date

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

NOTE 33 Acquisitions

Acquisition of Signal & Noise Limited

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

	2017	2016
	Signal Noise	Canback
	£000	£000
Property, plant and equipment	36	41
Intangible assets	1,052	1,044
Trade and other receivables	372	1,031
Cash and cash equivalents	438	142
Trade and other liabilities	(535)	(454)
Current income tax liabilities	(70)	(13)
Net assets acquired at fair value	1,293	1,791
Goodwill	3,214	7,087
Total	4,507	8,878

Satisfied by:		
Cash	1,813	3,244
Working capital adjustment	(40)	591
Contingent consideration	2,734	-
Total consideration	4,507	3,835

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

Goodwill of £nil arising on 2017 acquisitions is expected to be deductible for tax purposes (2016: £1,095,000).

Intangible assets acquired in 2017 represent customer lists, contracts and relationships and have a useful economic life of four years. Intangible assets acquired in 2016 had the following useful economic lives: customer lists, contracts and relationships, five years; and acquired technology and databases, seven years.

	2017	2016
Cashflow on acquisitions	£000	£000
Cash - current year acquisitions	(267)	(85)
Cash and cash equivalents acquired	438	142
Acquisition costs and other acquisition liabilities paid	(1,973)	(3,464)
Net cash outflow	(1,802)	(3,407)

In total, the acquisitions completed in the year contributed an additional £1,293,000 of revenue and £157,000 to operating profit before acquisition costs of £200,000 and intangible amortisation of £110,000. If the acquisitions had been completed on April 1st 2016, the Group estimates that revenue for the year would have been £2,492,000 and total operating profit would have been £382,000.

NOTE 33 Acquisitions (continued)

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

	Contingent consideration	
	2017	2016
	£000	£000
At April 1st	5,704	-
Provision during the year	2,734	5,043
Net movement in finance expense during the year (note 6)	685	376
Release to income statement during the year	(7,163)	-
Exchange differences to reserves	884	285
At March 31st	2,844	5,704

	Contingent consideration	
	2017	2016
Reconciliation of finance expense (note 6):	£000	£000
Imputed interest	685	376
Net movement in finance expense during the year	685	376

NOTE 34 Disposals

Prior year disposal

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

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

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

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NOTE	As at March 31st	2017 £000	2016 £000
5	Investments in subsidiaries	552,077	552,077
6	Intangible assets	10,517	4,609
7	Property, plant and equipment	4,405	5,099
	Amounts due from subsidiaries	193,359	177,161
8	Deferred income tax assets	4,678	2,244
	Non-current assets	**765,036**	**741,190**
	Amounts due from subsidiaries	23,735	25,410
9	Inventories	816	453
10	Trade and other receivables	19,244	20,124
	Current income tax assets	1,430	-
11	Cash and cash equivalents	8,922	23,948
	Current assets	**54,147**	**69,935**
	Total assets	**819,183**	**811,125**
	Amounts due to subsidiaries	(107,040)	(92,663)
12	Trade and other liabilities	(6,724)	(5,065)
13	Retirement benefit obligations	(28,767)	(9,328)
14	Financial liabilities - borrowings	(116,134)	(119,744)
	Other liabilities	(1,530)	(1,850)
	Non-current liabilities	**(260,195)**	**(228,650)**
	Amounts due to subsidiaries	(199,201)	(178,968)
12	Trade and other liabilities	(49,049)	(43,235)
14	Financial liabilities - borrowings	(11,282)	(13,049)
15	Financial liabilities - derivative financial instruments	(1,101)	(1,104)
	Current income tax liabilities	-	(1,243)
	Other liabilities	(321)	(320)
	Current liabilities	**(260,954)**	**(237,919)**
	Total liabilities	**(521,149)**	**(466,569)**
	Net assets	**298,034**	**344,556**
16	Share capital	1,260	1,260
17	ESOP shares	(2,903)	(2,480)
18	Treasury shares	(188,823)	(188,823)
	Revaluation reserve	-	268,799
	Translation reserve	(5,262)	(5,288)
	Retained earnings	493,762	271,088
	Total equity	**298,034**	**344,556**

These financial statements were approved by the Board of directors and authorised for issue on June 20th 2017. They were signed on its behalf by:

Rupert Pennant-Rea
Chris Stibbs
Directors

The Economist Newspaper Limited registered number 236383

Company statement of changes in equity

Year ended March 31st 2017 — Equity attributable to equity holders of the company

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

Year ended March 31st 2016 — Equity attributable to equity holders of the company

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

Notes to the company financial statements

NOTE 1 Accounting policies

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

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

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

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

Investments

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

NOTE 2 Auditors' remuneration

During the year the company obtained the following services from the company's auditors:	2017 £000	2016 £000
The audit of the company's financial statements	169	248
Other assurance services	116	22
Tax compliance services	25	13
Tax advisory services	43	30
Other services	66	64
Total non-audit services	250	129
Total company auditor's remuneration	419	377

NOTE 3 Employee information

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

	2017		2016	
	Monthly average	Year-end	Monthly average	Year-end
Total employees	448	472	418	423

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

NOTE 4 Share-based payments

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

	2017 £000	2016 £000
Long-term incentive plan (cash settled)	-	(231)
Restricted share scheme (cash or share settled)	1,405	1,480
	1,405	1,249

The total carrying value of share-based payment transactions is:	2017 £000	2016 £000
Restricted share scheme (cash or equity settled)	2,827	2,191

Analysed as:	2017 £000	2016 £000
Current liabilities	759	1,208
Non-current liabilities	2,068	983
	2,827	2,191

Details of share-based payment incentive schemes operated by the company and inputs to the valuation models are shown in note 11 to the consolidated financial statements.

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

	2017		2016	
Executive long-term plan	No. of units	Weighted average fair value (£)	No. of units	Weighted average fair value (£)
Outstanding at April 1st	124,989	-	264,698	1.34
Granted during the year	-	-	2,272	-
Forfeited during the year	-	-	(7,464)	-
Expired during the year	(124,989)	-	(134,517)	-
Outstanding at March 31st	-	-	124,989	-
Options exercisable at March 31st	-	-	124,989	-

NOTE 4 Share-based payments (continued)

Restricted share scheme	2017 No. of options	2017 Weighted average share price (£)	2016 No. of options	2016 Weighted average share price (£)
Outstanding at April 1st	108,250	34.84	61,250	30.92
Granted during the year	52,000	32.55	65,000	33.95
Forfeited during the year	(5,500)	34.36	-	-
Exercised during the year	(20,750)	(36.65)	(18,000)	(27.34)
Outstanding at March 31st	134,000	33.36	108,250	34.84
Exercisable at March 31st	19,750	33.77	20,750	36.37

The weighted average remaining contractual life for outstanding options at March 31st 2017 was 18 months (2016: 20 months).

NOTE 5 Investments in subsidiaries

	2017 £000	2016 £000
At April 1st	552,077	554,900
Additions	552,077	-
Disposals	(552,077)	-
Impairments	-	(2,823)
At March 31st	552,077	552,077

On August 30th 2016, as part of the Group's distributable reserves planning, the company subscribed for shares in a newly incorporated company, The Economist Newspaper Holdings Limited. On the same day all wholly owned direct subsidiaries were transferred to The Economist Newspaper Holdings Limited at a book cost of £552,076,666.

NOTE 6 Intangible assets

Cost	Licences and software £000	Intangible assets in development £000	Total £000
At April 1st 2015	4,121	-	4,121
Additions	979	3,132	4,111
At March 31st 2016	5,100	3,132	8,232
Additions	2,364	4,730	7,094
Transfer	958	(958)	-
At March 31st 2017	8,422	6,904	15,326

Amortisation	Licences and software £000	Intangible assets in development £000	Total £000
At April 1st 2015	2,931	-	2,931
Charge for the year	692	-	692
At March 31st 2016	3,623	-	3,623
Charge for the year	1,186	-	1,186
At March 31st 2017	4,809	-	4,809
Carrying amounts:			
At April 1st 2015	1,190	-	1,190
At March 31st 2016	1,477	3,132	4,609
At March 31st 2017	3,613	6,904	10,517

NOTE 7 Property, plant and equipment

Cost	Leasehold buildings: short £000	Plant and machinery £000	Equipment £000	Total £000
At April 1st 2015	2,936	974	19,185	23,095
Additions	-	-	829	829
At March 31st 2016	2,936	974	20,014	23,924
Additions	13	-	424	437
Disposals	-	-	(110)	(110)
At March 31st 2017	2,949	974	20,328	24,251

Depreciation	Leasehold buildings: short £000	Plant and machinery £000	Equipment £000	Total £000
At April 1st 2015	421	974	16,335	17,730
Charge for the year	203	-	892	1,095
At March 31st 2016	624	974	17,227	18,825
Charge for the year	204	-	906	1,110
Disposals	-	-	(89)	(89)
At March 31st 2017	828	974	18,044	19,846

Carrying amounts:				
At April 1st 2015	2,515	-	2,850	5,365
At March 31st 2016	2,312	-	2,787	5,099
At March 31st 2017	2,121	-	2,284	4,405

NOTE 8 Deferred income tax assets

	2017 £000	2016 £000
Deferred income tax assets	4,678	2,244

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

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

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

The movement on the deferred income tax account is as follows:	2017 £000	2016 £000
At April 1st	2,244	8,507
Charge to the income statement	(806)	(1,082)
Credit/(charge) to other comprehensive income	3,320	(4,932)
Effect of change in tax rates	(80)	(249)
At March 31st	4,678	2,244

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

Deferred income tax assets	Retirement benefit obligations £000	Other £000	Total £000
At April 1st 2015	7,129	1,378	8,507
Charge to income statement	(330)	(752)	(1,082)
Charge to other comprehensive income	(4,932)	-	(4,932)
Effect of change in tax rates	(187)	(62)	(249)
At March 31st 2016	1,680	564	2,244
Charge to income statement	(18)	(788)	(806)
Credit to other comprehensive income	3,320	-	3,320
Effect of change in tax rates	(90)	10	(80)
At March 31st 2017	4,892	(214)	4,678

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

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

NOTE 9 Inventories

	2017 £000	2016 £000
Raw materials	466	391
Work-in-progress	323	40
Finished goods	27	22
	816	453

No inventories are pledged as security.

NOTE 10 Trade and other receivables

Current	2017 £000	2016 £000
Trade receivables	12,601	13,342
Other receivables	2,375	543
Prepayments and accrued income	4,268	6,239
	19,244	20,124

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

	2017 £000	2016 £000
At April 1st	594	574
Income statement movements	532	305
Utilised	(390)	(285)
At March 31st	736	594

The ageing of the company's trade receivables which are not impaired is as follows:	2017 £000	2016 £000
Within the due date	7,945	8,973
Past due less than a month	3,389	3,620
Past due more than a month but less than two months	1,869	1,781
Past due more than two months but less than three months	1,105	961
Past due more than three months	407	255
Total trade receivables	14,715	15,590
Less: provision for sales returns	(2,114)	(2,248)
Net trade receivables	12,601	13,342

NOTE 11 Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	1,485	1,396
Short-term bank deposits	7,437	22,552
	8,922	23,948

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

NOTE 12 Trade and other liabilities

Current	2017 £000	2016 £000
Trade payables	9,355	9,216
Social security and other taxes	1,764	425
Accruals	7,579	9,002
Liability for share-based payments	759	1,208
Deferred income	28,535	22,517
Other liabilities	1,057	867
	49,049	43,235
Non-current		
Liability for share-based payments	2,068	983
Deferred income	4,656	4,082
	6,724	5,065
Total	55,773	48,300

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

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

NOTE 13 Retirement benefit and other post-retirement obligations

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

	2017 £000	2016 £000
UK Group scheme	26,957	7,637
Unfunded retirement benefit scheme	245	214
Post-retirement medical benefits	1,565	1,477
	28,767	9,328

The company is a member of The Economist Group Pension Scheme (UK Group scheme) which provides funded defined benefits. Details about the assets and liabilities of the scheme, the major assumptions used by the actuaries to value the deficit, the funding of the deficit in the scheme and the risks the company is exposed to through the scheme are included in note 22 to the consolidated financial statements. The company accounts for its share of the underlying assets and liabilities of the scheme. The company's share of the total scheme deficit was assessed at 81% by an independent actuary. The calculation of the liability for the company is based on membership records of retirees, deferred and active members.

The company also operates a defined-contribution scheme.

In addition, the company provides unfunded, unapproved pension arrangements in respect of certain former employees. Details on the assumptions used and of the movement in the present value of scheme liabilities can be found in note 22 to the consolidated financial statements.

The company provides post-retirement medical benefits to certain former employees. At March 31st 2017, 31 retired and former employees (2016: 34) were eligible to receive benefits. The movement in the liability was as follows:

Present value of scheme liabilities	2017 £000	2016 £000
At April 1st	1,477	1,693
Employer contributions	(140)	(100)
Interest expense	52	54
Losses/(gains) from experience	15	(48)
Losses/(gains) from changes in financial assumptions - financial	184	(56)
Gains from changes in financial assumptions - demographic	(23)	(66)
At March 31st	1,565	1,477

Further information on the assumptions used to calculate the liability are shown in note 22 to the consolidated financial statements.

NOTE 14 Borrowings

Details of the Group's borrowings, which are also those of the company, can be found in note 21 to the consolidated financial statements.

NOTE 15 Derivative financial instruments

Details of the Group's derivative financial instruments, which are also those of the company, can be found in note 24 to the consolidated financial statements.

NOTE 16 Share capital

Details of the company's share capital can be found in note 27 to the consolidated financial statements.

NOTE 17 Employee Share Ownership Plan (ESOP)

Details of the ESOP are presented in note 28 to the consolidated financial statements.

NOTE 18 Treasury shares

Note 29 to the consolidated financial statements provides information on the company's treasury shares.

NOTE 19 Financial commitments

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

	2017	2016
Land and buildings, leases expiring	£000	£000
Within one year	4,401	3,421
Between two and five years	13,617	4,667
After five years	21,723	3,346
	39,741	11,434

At March 31st 2017, there was £5,617,000 capital expenditure contracted for but not provided in the financial statements (2016: £3,064,000).

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

The company has guaranteed certain bank overdrafts and property leases of its subsidiaries. The annual cost of property leases guaranteed by the company is £4,816,000 (2016: £4,169,000).

NOTE 20 Related party transactions

Subsidiaries

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

Shareholders

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

NOTE 21 Events after the balance-sheet date

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

NOTE 22 Group companies

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries, the country of incorporation and the effective percentage of equity owned included in these financial statements at March 31st 2017 are disclosed below. The shares in these companies are included in the consolidation in the Group's financial statements using the equity method of accounting. Principal Group companies are identified in bold.

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

NOTE 22 Group companies (continued)

The Economist Group (Brazil Holdings) Limited	100%	Investment holding company	United Kingdom
The Economist Group (Holdings) BV	100%	Investment holding company	The Netherlands
The Economist Group (Investments) Limited	100%	Investment holding company	United Kingdom
The Economist Group (Switzerland) SA[7]	100%	Media services	Switzerland
The Economist Group (US Holdings) Limited	100%	Investment holding company	United Kingdom
The Economist Group BV	100%	Dormant	The Netherlands
The Economist Group do Brasil Servicos de informacao sobre negocios Ltda[8] †	100%	Business information	Brazil
The Economist Group France SARL[9]	100%	Media services	France
The Economist Group GmbH[10]	100%	Investment holding company	Austria
The Economist Group Limited	100%	Investment holding company	United Kingdom
The Economist Group Operations Limited	100%	Dormant	United Kingdom
The Economist Group (Services) Limited	100%	Dormant	United Kingdom
The Economist Group Singapore Pte Limited[2]	100%	Investment holding company	Singapore
The Economist Group Trustee Company Limited	100%	Trustee services	United Kingdom
The Economist Intelligence Unit Canback SA Proprietary Limited[11] †	100%	Consulting services	South Africa
The Economist Intelligence Unit Canback, Inc[1]	100%	Consulting services	US
The Economist Intelligence Unit Limited	**100%**	**Information services and events**	**United Kingdom**
The Economist Intelligence Unit, NA, Incorporated[1]	**100%**	**Events and information services**	**US**
The Economist Investments (Holdings) Limited[12]	100%	Investment holding company	Guernsey
The Economist Newspaper (Asia/Pacific) Limited[6]	100%	Dormant	Hong Kong
The Economist Newspaper Group Incorporated[1]	100%	Publisher and management services	US
The Economist Newspaper (Holdings) Limited*	100%	Investment holding company	United Kingdom
The Economist Newspaper, NA, Incorporated[1]	**100%**	**Media services**	**US**
The Economist Overseas (Holdings) Limited	100%	Investment holding company	United Kingdom
The Economist Publications Limited	100%	Dormant	United Kingdom
The Radio Consultancy Limited	100%	Dormant	United Kingdom
The Television Consultancy Limited	**100%**	**Marketing services**	**United Kingdom**
TVC Group Limited	100%	Investment holding company	United Kingdom
TVC Public Relations Limited	100%	Dormant	United Kingdom

Unless noted, registered office is 25 St James's Street, London SW1A 1HG.
All companies are indirectly owned by The Economist Newspaper Limited except for those indicated *, which are directly owned.
† Year-end December 31st

1. 750 Third Avenue, New York, NY 10017
2. 8 Cross Street, #23-01 PWC Building, Singapore 048424
3. 1625 Eye Street NW, Washington, DC 20006, USA
4. Rm 2508B, 1909-1910 Rui Jin Building, No. 205 South Mao Ming Road, Huangpu District, Shanghai, China 200020
5. 17, Subhash Marg, Darya Ganj, New Delhi 110002, India
6. 1301 Cityplaza Four, 12 Taikoo Wan Road, Taikoo Shing, Hong Kong
7. rue de l'Athénée 32, 1206 Genève, Switzerland
8. Av Eng Luis Carlos Berrini 1641-12 andar, Sao Paulo/SP, Brasil 04511-011
9. 10, rue du Colisée, 75008 Paris, France
10. Gonzagagasse 17, 1010 Wien, Austria
11. Inanda Greens Building 8, 54 Wierda Road, West Wierda Valley, Sandton, Gauteng, 2196, South Africa
12. 1st & 2nd floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW, Channel Islands

NOTE 22 Group companies (continued)

For the year ended March 31st 2017, the following subsidiary undertakings of the Group were exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Companies Act 2006:

Company		Company registration number
Dartford Printing Limited	Dormant	2893629
Ryder Street Properties (Management) Limited	Dormant	1985839
The Broadcast Consultancy Limited	Dormant	04986442
The Digital News Agency Limited	Dormant	06451318
The Economist Books Limited	Dormant	1775942
The Economist Group (Brazil Holdings) Limited	Dormant	9164810
The Economist Group Trustee Company Limited	Dormant	1775932
The Economist Publications Limited	Dormant	1775671
The Radio Consultancy Limited	Dormant	03701668
TVC Public Relations Limited	Dormant	5587380

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of The Economist Newspaper Limited will be held at the British Academy of Film and Television Arts, 195 Piccadilly, London W1J 9LN on Tuesday July 18th 2017 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 2017.
2. To declare a final dividend of 120.0 pence per share in respect of the year ended March 31st 2017 to all "A" Special, "B" Special and Ordinary shareholders on the company's register of members at the close of business on June 20th 2017.
3. To appoint Deloitte 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 20th 2017

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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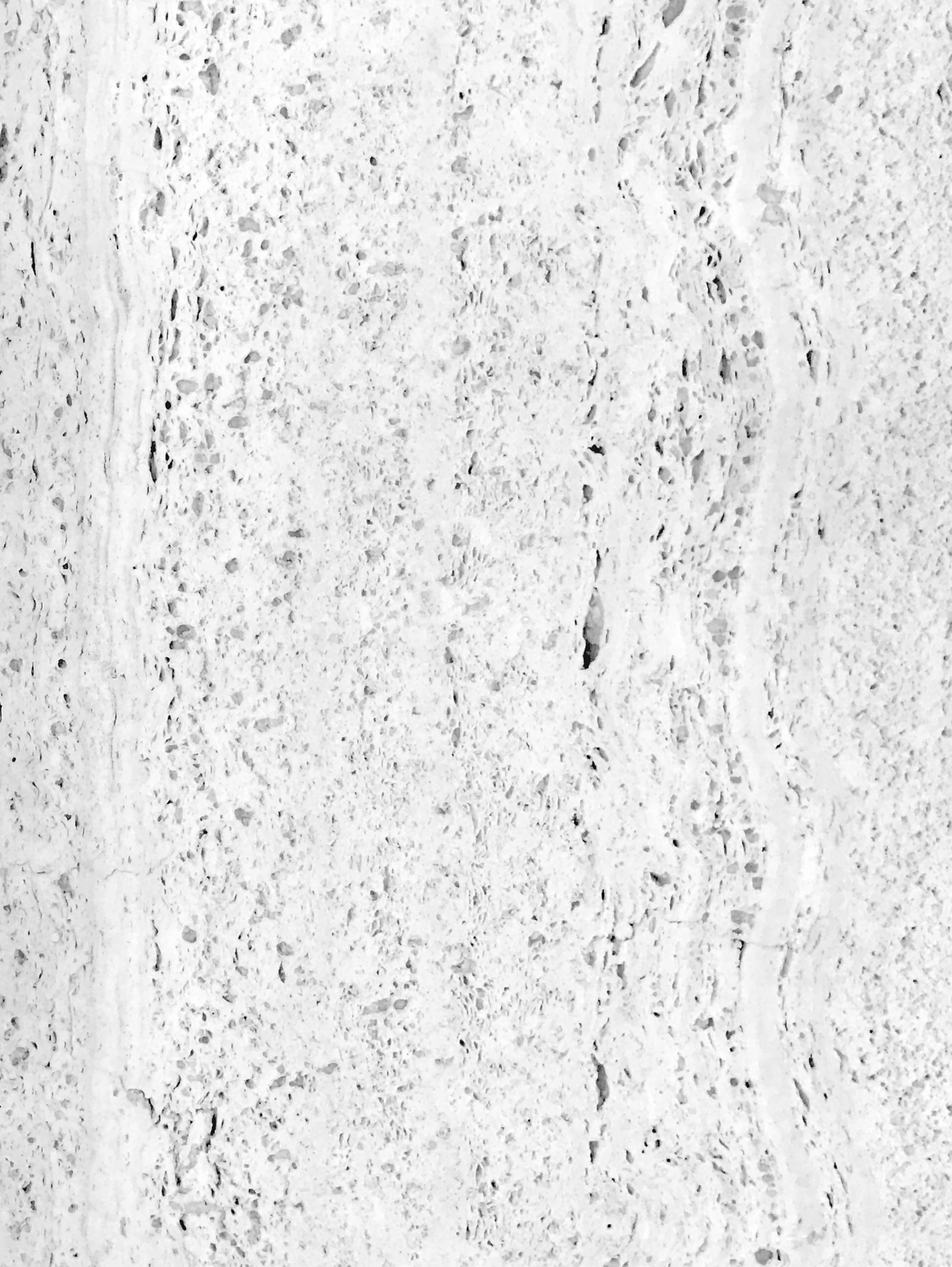

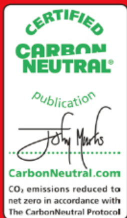
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