

THE ECONOMIST GROUP LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1997

Registered Number: 2642807



THE ECONOMIST GROUP LIMITED

Report of the directors for the year ended 31 March 1997

1. The directors submit their annual report and audited financial statements for the year ended 31 March 1997 which were approved at a Board meeting on 11 August 1997.

Activities and business review

2. The company was dormant from incorporation on 4th September 1991 until 27 February 1996.

The principal activity of the company as from 27 February 1996 is to act as an investment holding company. The directors expect that the present level of activity will be sustained for the foreseeable future.

Results

3. The company's income for the previous year comprised interest from its ultimate parent company, The Economist Newspaper Limited, in the sum of £247,827. In the current year there was no interest income. The loss for the year after taxation and dividends, which has been carried to reserves, amounted to (£64,460) (1996 Profit: £166,035). The directors do not recommend the payment of a dividend (1996: NIL).

Directors

4. The directors who served during the year are set out below:-

H A Alexander	(appointed 1 January 1997)
M Scardino	(resigned 31 December 1996)
C S Taylor	(resigned 31 December 1996)
K B S Malik	(appointed 21 July 1997)

THE ECONOMIST GROUP LIMITED

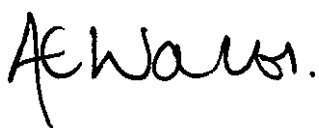
Report of the director for the year ended 31 March 1997

Director's interests at year end or on appointment

5. The director does not hold any shares in the company. Details of the director's interests in the share capital of the parent company, The Economist Newspaper Limited, at the year end or on appointment are as follows:-

	<u>1997</u>		<u>1996</u>	
	'A' Special	Ordinary	'A' Special	Ordinary
H. A. Alexander	1,245	3,900	1,245	3,900

BY ORDER OF THE BOARD



A E WALES
Secretary
11 August 1997

Registered Office

25 St. James's Street
London
SW1A 1HG

THE ECONOMIST GROUP LIMITED


**Director's Statement of Responsibilities
for the year ended 31 March 1997**

The director is required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The director confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1997. The director also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The director is responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

BY ORDER OF THE BOARD



A E WALES
Secretary
11 August 1997

**Report of the auditors to the members of
THE ECONOMIST GROUP LIMITED**

We have audited the financial statements on pages 5 to 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's director is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

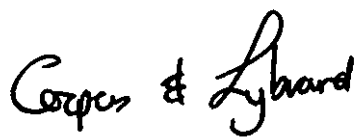
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 1997 and of its loss and total recognised losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND

Chartered Accountants and Registered Auditors
LONDON 26 November 1997

THE ECONOMIST GROUP LIMITED

Profit and loss account for the year ended 31 March 1997

		<u>Continuing Activities</u>	<u>Continuing Activities</u>
	<u>Notes</u>	<u>1997</u>	<u>1996</u>
		£	£
Interest receivable	5	-	247,827
Administrative expenses		(17,236)	(14)
		_____	_____
OPERATING (LOSS)/PROFIT AND (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(17,236)	247,813
Taxation charge on (loss)/profit on ordinary activities	6	(47,224)	(81,778)
		_____	_____
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(64,460)	166,035
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		166,035	-
		_____	_____
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		101,575	166,035
		=====	=====

The company has no recognised gains or losses other than the (losses)/profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

The notes on pages 7 to 9 form part of these financial statements.

Auditors' report page 4.

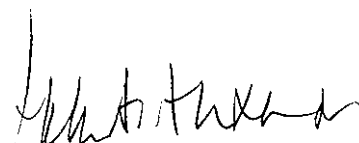
THE ECONOMIST GROUP LIMITED

Balance sheet as at 31 March 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
		£	£
FIXED ASSETS			
Investments	7	67,814,385	67,814,385
CURRENT ASSETS			
Debtors - amounts due from group companies		101,577	247,815
		<hr/>	<hr/>
		101,577	247,815
CREDITORS: corporation tax payable		-	(81,778)
		<hr/>	<hr/>
NET CURRENT ASSETS		101,577	166,037
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		67,915,962	67,980,422
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Equity share capital	8	67,479	67,479
Share premium account	9	67,746,908	67,746,908
Profit and loss account		101,575	166,035
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	10	67,915,962	67,980,422
		<hr/>	<hr/>

H A Alexander

Director



Approved by the Director on 11 August 1997

The notes on pages 7 to 9 form part of these financial statements.
Auditors' report page 4.

THE ECONOMIST GROUP LIMITED

Notes to the financial statements - 31 March 1997

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom, which have been applied consistently.

(a) Accounting convention

These financial statements are based on the historical cost convention.

(b) Consolidation

Consolidated accounts have not been presented as the company is a wholly owned subsidiary of The Economist Newspaper Limited.

(c) Fixed asset investments

Fixed asset investments are valued at cost less provision for any permanent diminution in value.

(d) Deferred taxation

Deferred taxation is provided under the liability method in respect of all timing differences where in the opinion of the directors it is probable that a liability will crystallise. No provision is made for any additional taxation, less double tax relief, which would arise on the remittance of profits retained overseas.

(e) Cash flow statement

The company is a wholly owned subsidiary of The Economist Newspaper Limited and the cash flows of the company are included in the consolidated group cash flow statement of The Economist Newspaper Limited. Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

(f) Foreign exchange

Foreign exchange transactions during the year are translated at the prevailing rate. Any monetary assets and liabilities denominated in foreign currencies are translated at the rate at the balance sheet date.

2. Directors' emoluments

None of the directors received any emoluments from the company during the year (1996: £NIL).

3. Employees

The company had no employees during the year (1996: NIL).

THE ECONOMIST GROUP LIMITED

Notes to the financial statements - 31 March 1997

4. (Loss)/profit on ordinary activities before taxation

Audit fees of £1,500 are payable in 1997. The audit fees for 1996 were borne by the parent company. Foreign exchange differences included in administrative expenses amounted to £(15,736) (1996: £1,310)

5. <u>Interest receivable</u>	<u>1997</u>	<u>1996</u>
	£	£
Interest income receivable from a fellow group company	-	247,827
	<u> </u>	<u> </u>

6. Taxation charge on profit on ordinary activities

	<u>1997</u>	<u>1996</u>
	£	£
UK Corporation tax at 33% (1996: 33%)	47,224	81,778
	<u> </u>	<u> </u>

A tax charge in respect of 1996 has arisen based on exchange movements on funds received for the acquisition of the company's investments, as described in note 7.

7. <u>Fixed assets: investments</u>	£
At 1 April 1996 and 31 March 1997	67,814,385
	<u> </u>

On 29 March 1996 the company acquired a 37.54% holding in The Economist Group (Luxembourg) Sarl for a consideration of £67,814,385. The consideration was satisfied by the assignment of two Economist Newspaper Group Incorporated loan notes and some preference stock. The Economist Group (Luxembourg) Sarl is incorporated in Luxembourg, and acts as an investment holding company for The Economist Group. The net assets of The Economist Group (Luxembourg) Sarl at 31 March 1997 were £92,075,043 and the profit in the year was £3,665,750.

In the opinion of the director, the investment is worth not less than the amount at which it is stated in the balance sheet.

THE ECONOMIST GROUP LIMITED

Notes to the financial statements - 31 March 1997

8. Called up share capital

	<u>1997</u>	<u>1996</u>
Authorised:		
75,000 Ordinary shares of £1 each	£75,000	£75,000
	<hr/>	<hr/>
Allotted, called-up and fully paid:		
67,479 Ordinary shares of £1 each	£67,479	£67,479
	<hr/>	<hr/>

The ordinary shares referred to above, as defined in the memorandum and articles of association of the company, are equivalent to equity shares as defined by Financial Reporting Standard 4 "Capital Instruments".

9. Share premium account

	£
At 1 April 1996 and 31 March 1997	67,746,908
	<hr/>

10. Reconciliation of movement in shareholders' funds

	<u>1997</u>	<u>1996</u>
	£	£
Opening shareholders' funds	67,980,422	2
New share capital issued	-	67,814,385
(Loss)/Profit for the year	(64,460)	166,035
	<hr/>	<hr/>
Closing shareholders' funds	67,915,962	67,980,422
	<hr/>	<hr/>

11. Ultimate parent company

The company's ultimate parent company is The Economist Newspaper Limited, registered in England and Wales. The consolidated financial statements of The Economist Newspaper Limited can be obtained from the Registered Office at 25 St. James's Street, LONDON, SW1A 1HG.

12. Related party disclosure

As the company is a wholly owned subsidiary of The Economist Newspaper Limited it has taken advantage of the exemption from disclosing intra-group balances and transactions permitted by Financial Reporting Standard 8: "Related Party Transactions".