

THE ECONOMIST GROUP LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31st 2018

Registered number: 02642807



THE ECONOMIST GROUP LIMITED

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THE ECONOMIST GROUP LIMITED

Strategic report for the year ended March 31st 2018

The directors present their Strategic report on the company for the year ended March 31st 2018.

Principal activities and business review

The company issues contracts and raises invoices for Group customers based in the UK, Europe and Asia. At the end of the year, the company had net assets of £68,084,679 (2017: £68,064,773).

Future developments

The directors expect that the company will issue contracts and raise invoices for Group customers based in other regions in addition to the UK, Europe and Asia.

Results and dividends

The profit for the financial year amounted to £19,906 (2017: £4,869), which has been taken to reserves. No interim dividend (2017: £nil) was paid during the year. The directors do not propose that a final dividend be paid (2017: £nil).

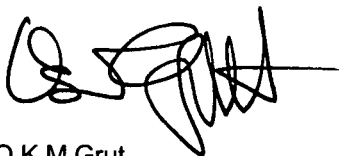
Principal risks and uncertainties

The principal risks and uncertainties affecting the company are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the company, are discussed in the Directors' report and Financial review on pages 19 to 28 of The Economist Group Annual report 2018.

Key performance indicators

The company's operations are managed and analysed on a global business as opposed to a regional legal entity basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The development, performance and position of The Economist Group, which includes the company, are discussed in The Economist Group Annual report 2018.

By order of the Board.



O K M Grut
Company secretary

December 10th 2018

Registered office

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

THE ECONOMIST GROUP LIMITED

Directors' report for the year ended March 31st 2018

The directors present their Directors' report and audited financial statements of the company for the year ended March 31st 2018.

Future developments, results and dividends

The future developments, results and dividends of the company have been discussed within the Strategic report on page 2.

Financial risk management

The company's operations expose it to movements in foreign exchange and other financial risks. These risks and the financial risk management policies are discussed in the Financial review in The Economist Group Annual report 2018 under the heading 'Treasury and foreign exchange' and in the Directors' report of The Economist Group Annual report 2018 under the heading 'Internal control'.

Directors

The directors who served during the financial year and up to the date of signing the financial statements are set out below:

O K M Grut (appointed May 12th 2017)
S P Naughton
C J Stibbs
M J Worthington (resigned May 12th 2017)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and 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 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 company and of the profit or loss of the 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 United Kingdom Accounting Standards, comprising FRS 101, have been followed, 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 company will continue in business.

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

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

THE ECONOMIST GROUP LIMITED

Directors' report for the year ended March 31st 2018 (continued)

Disclosure of information to the auditor

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board



O K M Grut
Company secretary

December 10th 2018

Registered office

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

THE ECONOMIST GROUP LIMITED

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of The Economist Group Limited (the company):

- give a true and fair view of the state of the company's affairs as at March 31st 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

THE ECONOMIST GROUP LIMITED

Independent auditor's report to the members of The Economist Group Limited (continued)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

THE ECONOMIST GROUP LIMITED

Independent auditor's report to the members of The Economist Group Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Peter McDermott, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

December 10th 2018

THE ECONOMIST GROUP LIMITED

Statement of comprehensive income for the year ended March 31st 2018

	Note	2018 £	2017 £
Turnover	2	14,301,579	-
Cost of sales	3	(5,978,287)	-
Gross profit		<u>8,323,292</u>	<u>-</u>
Distribution costs	3	(15,847)	-
Administrative (expenses)/income	3	(7,592,368)	1,202
Operating profit		<u>715,077</u>	<u>1,202</u>
Interest receivable and similar income	4	3,720	3,667
Profit before taxation		<u>718,797</u>	<u>4,869</u>
Tax on profit	5	(698,891)	-
Profit for the financial year		<u><u>19,906</u></u>	<u><u>4,869</u></u>

The results reported above relate solely to continuing operations.

The notes on pages 11 to 16 are an integral part of these financial statements.

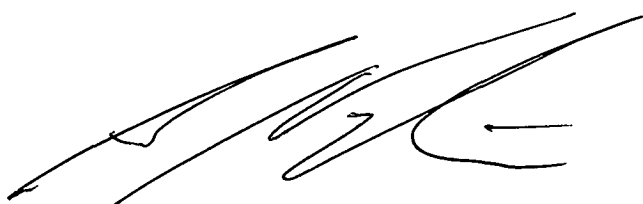
THE ECONOMIST GROUP LIMITED

Balance sheet as at March 31st 2018

	Note	2018 £	2017 £
Investments	6	1,036	1,036
Deferred income tax assets		13,337	-
Non-current assets		<u>14,373</u>	<u>1,036</u>
Trade and other receivables	7	74,741,795	68,011,338
Current income tax assets		147,964	-
Cash and cash equivalents		908,892	52,399
Current assets		<u>75,798,651</u>	<u>68,063,737</u>
Total assets		<u>75,813,024</u>	<u>68,064,773</u>
Trade and other liabilities	8	(7,728,345)	-
Current liabilities		<u>(7,728,345)</u>	<u>-</u>
Total liabilities		<u>(7,728,345)</u>	<u>-</u>
Net assets		<u>68,084,679</u>	<u>68,064,773</u>
Equity			
Called up share capital	9	67,479	67,479
Share premium account		67,746,908	67,746,908
Retained earnings		270,292	250,386
Total shareholder's funds		<u>68,084,679</u>	<u>68,064,773</u>

The notes on pages 11 to 16 are an integral part of these financial statements.

The financial statements on pages 8 to 16 were approved by the board of directors on December 10th 2018 and were signed on its behalf by:



S P Naughton
Director

Company registered number: 02642807

THE ECONOMIST GROUP LIMITED

Statement of changes in equity for the year ended March 31st 2018

Year ended March 31st 2018	Called up share capital £	Share premium account £	Retained earnings £	Total shareholder's funds £
At April 1st 2017	67,479	67,746,908	250,386	68,064,773
Comprehensive income for the year				
Profit for the financial year	-	-	19,906	19,906
Total comprehensive income	-	-	19,906	19,906
At March 31st 2018	<u>67,479</u>	<u>67,746,908</u>	<u>270,292</u>	<u>68,084,679</u>

Year ended March 31st 2017	Called up share capital £	Share premium account £	Retained earnings £	Total shareholder's funds £
At April 1st 2016	67,479	67,746,908	245,517	68,059,904
Comprehensive income for the year				
Profit for the financial year	-	-	4,869	4,869
Total comprehensive income	-	-	4,869	4,869
At March 31st 2017	<u>67,479</u>	<u>67,746,908</u>	<u>250,386</u>	<u>68,064,773</u>

The notes on pages 11 to 16 are an integral part of these financial statements.

THE ECONOMIST GROUP LIMITED

Notes to the financial statements for the year ended March 31st 2018

1. Accounting policies

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

The principal activity of the company is disclosed in the Strategic report.

These financial statements were approved for issue by the board of directors on December 10th 2018.

The accounting policies applied in the preparation of these financial statements have been consistently applied to the periods presented unless otherwise stated. The principal accounting policies applied in the preparation of these financial statements are set out below.

a) **Basis of preparation**

These financial statements have been prepared on the going concern basis under the historical cost convention, 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. All accounting policies have been applied consistently.

There were no critical accounting assumptions or areas where management exercised its judgment in the process of applying the company's accounting policies.

b) **FRS 101 reduced disclosure**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101:

- the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- the requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 17 and 18A of IAS 24 *Related Party Disclosures*; and
- the requirements of IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group.

This information is included in the consolidated financial statements of The Economist Newspaper Limited as at March 31st 2018 (see note 10).

c) **Foreign currency translation**

The financial statements are presented in sterling, which is the company's functional and presentation currency. 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 Statement of comprehensive income.

d) **Turnover**

Turnover represents the fair value of the consideration received or receivable for the sale to third parties of subscriptions, research, sponsorship and delegate fees net of sales tax, rebates and discounts and after eliminating sales within the Group.

Subscription revenues are recognised in the income statement over the period of the subscription. Research, sponsorship and delegate turnover arising in the year relating to future events and deliveries is deferred until those events have taken place.

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Notes to the financial statements for the year ended March 31st 2018 (continued)

1. Accounting policies (continued)

d) Turnover (continued)

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

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 estimated total costs of the contract exceed the estimated total revenue that will be generated by the contract.

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.

All turnover originated in the United Kingdom. The distribution of turnover is shown in note 2.

e) Cash and cash equivalents

Cash and cash equivalents include cash in hand.

The company is a wholly-owned subsidiary of The Economist Newspaper Limited and the cashflows of the company are included in the consolidated cashflow statement of The Economist Newspaper Limited. Consequently, the company is exempt under the terms of FRS 101 from publishing a cashflow statement.

f) Share capital

Ordinary shares are classified as equity.

g) 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.

h) Investments

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

i) Related party transactions

As the company is a wholly-owned subsidiary of The Economist Newspaper Limited, the company has taken advantage of the exemption contained in FRS 101 and therefore has not disclosed transactions or balances which form part of the Group. There were no other related party transactions in the period.

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Notes to the financial statements for the year ended March 31st 2018 (continued)

1. Accounting policies (continued)

j) Financial assets

Basic financial assets, including trade and other receivables and cash and cash equivalents, are recognised initially at transaction price, unless the transaction constitutes a financing arrangement, e.g. significantly deferred credit terms, where the transaction is measured at the present value of future receipts discounted at the market rate of interest. Such assets are held at amortised cost using the effective interest rate method.

Financial assets are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

The impairment loss is measured as the difference between an asset's carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of comprehensive income.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled, or substantially all the risks and rewards of the ownership of the asset are transferred to another party, or control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

k) Financial liabilities

Basic financial liabilities such as trade and other liabilities are recognised initially at transaction price, unless the transaction constitutes a financing arrangement, e.g. significantly deferred credit terms, where the transaction is measured at the present value of future receipts discounted at the market rate of interest. Such liabilities are held at amortised cost using the effective interest rate method.

Debt instruments that are payable or receivable within one year, typically trade payables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial liability is measured, initially, at the present value of the future cashflow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

THE ECONOMIST GROUP LIMITED**Notes to the financial statements for the year ended March 31st 2018 (continued)****2. Turnover**

The turnover and profit before taxation are attributable to the one principal activity of the company.

Geographical analysis by destination:	2018 £	2017 £
United Kingdom	6,156,453	-
Rest of Europe	2,495,669	-
Asia	5,649,457	-
	<u>14,301,579</u>	<u>-</u>

All turnover originated in the United Kingdom.

3. Expenses by function

	2018 £	2017 £
Other general and administrative costs	13,249,041	-
Bank charges	3,452	125
Foreign exchange losses/(gains)	245,525	(1,327)
Other net losses	88,484	-
	<u>13,586,502</u>	<u>(1,202)</u>

None of the directors received any emoluments in respect of their services to the company during the year (2017: £nil). The company had no employees during the year (2017: none).

The audit fee is borne by the ultimate parent company, The Economist Newspaper Limited. The audit fee for the company was £20,000 (2017: £1,000). There were no fees incurred from the company's auditors in respect of non-audit services during the year (2017: £nil).

4. Interest receivable and similar income

	2018 £	2017 £
Interest receivable on amount owed by ultimate parent company	<u>3,720</u>	<u>3,667</u>

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Notes to the financial statements for the year ended March 31st 2018 (continued)

5. Tax on profit

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

	2018 £	2017 £
Profit before taxation	718,797	4,869
Tax calculated at UK rate of 19% (2017: 20%)	136,571	974
Factors affecting the tax charge		
Transfer pricing deemed interest on UK inter-company loans	560,752	610,329
Group relief recovered for no payment	-	(611,303)
Effect of change in tax rates on deferred tax	1,568	
Total tax expense for the year	<u>698,891</u>	<u>-</u>

Changes to the UK main corporation tax rate from 20% (effective on April 21st 2017), to 17% (effective from April 1st 2020) were substantively enacted on September 15th 2016.

6. Investments

Cost:	£
At April 1 st 2017 and March 31 st 2018	<u>1,036</u>

The company owns 1.0% of the ordinary share capital in The Economist Group do Brasil Servicos de informacao sobre Negocios Ltda, a company providing business information, incorporated in Brazil. Its registered office is Rua Joaquim Floriano 1052, cj. 81, CEP 04534-004, São Paulo, -SP, Brazil.

The directors are of the opinion that the value of the investment is not impaired.

7. Trade and other receivables

	2018 £	2017 £
Trade receivables	6,219,338	-
Amounts owed by ultimate parent company	68,062,368	68,011,338
Prepayments and accrued income	436,472	-
Withholding tax recoverable	23,617	-
	<u>74,741,795</u>	<u>68,011,338</u>

There are two amounts owed by the ultimate parent company, The Economist Newspaper Limited: an amount of £67,814,385 that is non-interest bearing and an amount of £247,983 (2017: £196,953) that bears interest at 1% above the UK base rate. The loans are repayable on demand and unsecured.

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Notes to the financial statements for the year ended 31 March 2018 (continued)

8. Trade and other liabilities

	2018 £	2017 £
Social security and other taxes	563,642	-
Amounts owed to ultimate parent company	1,978,845	-
Amounts owed to group undertakings	1,905,074	-
Deferred income	3,280,784	-
	<u>7,728,345</u>	<u>-</u>

The amounts due to the ultimate parent company, The Economist Newspaper Limited, and other group undertakings are non-interest bearing and repayable on demand.

9. Called up share capital

	2018 £	2017 £
Allotted and fully paid: 67,479 (2017: 67,479) ordinary shares of £1 each	<u>67,479</u>	<u>67,479</u>

10. Ultimate parent company and controlling party

The immediate parent company is Ryder Street Properties Limited, registered in England and Wales. The ultimate parent company and ultimate controlling party is The Economist Newspaper Limited, registered in England and Wales. This is the only company that consolidates these financial statements. The Economist Group Annual report 2018 can be obtained from The Adelphi, 1-11 John Adam Street, London, WC2N 6HT or viewed at www.economistgroup.com. The Economist Group consists of The Economist Newspaper Limited and its subsidiary undertakings.