

THE ECONOMIST GROUP LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1998



Registered Number: 2642807

## **THE ECONOMIST GROUP LIMITED**

### **Report of the directors for the year ended 31 March 1998**

1. The directors submit their annual report and audited financial statements for the year ended 31 March 1998 which were approved at a Board meeting on 6 January 1999.

#### Activity and business review

2. The principal activity of the company 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 profit for the year on ordinary activities after taxation, which has been carried to reserves, amounted to £1,333,509 (1997 Loss: £64,460). The directors do not recommend the payment of a dividend (1997: NIL).

#### Year 2000

4. The directors of the company have considered the potential problems on its business and operations arising from the year 2000.

A group wide year 2000 compliance project is currently addressing the issue. Apart from the fixed overhead costs of the project team, there have been no additional costs to date caused by the Year 2000 issue. Where systems are planned for replacement, it is largely for operational reasons rather than for Year 2000 non-compliance, and accordingly the planned cost does not relate directly to Year 2000.

#### EMU

5. The directors of the company continue to monitor the creation of economic and monetary union in Europe and the implications for its business. No expenditure has been incurred to date relating to this issue.

#### Directors

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

H A Alexander

K B S Malik (appointed 21 July 1997)

# THE ECONOMIST GROUP LIMITED

## **Report of the directors for the year ended 31 March 1998**

### Directors' interests at year end or on appointment

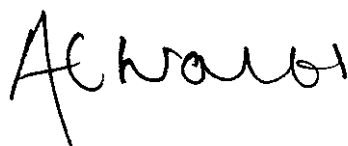
7. The directors do not hold any shares in the company. Details of the directors' interests in the share capital of the parent company, The Economist Newspaper Limited, at the year end or on appointment are as follows:-

	1998		1997	
	'A' Special	Ordinary	'A' Special	Ordinary
H A Alexander	1,245	3,900	1,245	3,900
K B S Malik	-	500	-	-

### Auditors

8. Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998 following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors.

BY ORDER OF THE BOARD



A E WALES  
Secretary  
6 January 1999

### Registered Office

25 St. James's Street  
London  
SW1A 1HG

**THE ECONOMIST GROUP LIMITED**

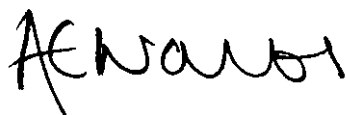
**Directors' Statement of Responsibilities  
for the year ended 31 March 1998**

The directors are 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 directors confirm 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 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are 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 handwritten signature in dark ink, appearing to read 'A E Wales', written in a cursive style.

A E WALES  
Secretary  
6 January 1999

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

We have audited the financial statements on pages 5 to 10.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are 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 directors 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers

Chartered Accountants and Registered Auditors  
LONDON

29 January 1999

## **THE ECONOMIST GROUP LIMITED**

### **Profit and loss account for the year ended 31 March 1998**

	Notes	Continuing activities 1998 £	Continuing activities 1997 £
Income from fixed asset investments	5	1,335,337	-
Administrative expenses		<u>(1,828)</u>	<u>(17,236)</u>
OPERATING PROFIT/(LOSS) AND PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	1,333,509	(17,236)
Tax on profit/(loss) on ordinary activities	6	<u>-</u>	<u>(47,224)</u>
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		1,333,509	(64,224)
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		<u>101,575</u>	<u>166,460</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u>1,435,084</u>	<u>101,575</u>

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

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

The notes on pages 7 to 10 form part of these financial statements.

Auditors' report page 4.

# THE ECONOMIST GROUP LIMITED

## Balance sheet as at 31 March 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Investments	7	67,814,385	67,814,385
CURRENT ASSETS			
Debtors - amounts due from group companies	8	<u>1,435,086</u>	<u>101,577</u>
NET CURRENT ASSETS		<u>1,435,086</u>	<u>101,577</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>69,249,471</u>	<u>67,915,962</u>
CAPITAL AND RESERVES			
Equity share capital	9	67,479	67,479
Share premium account	10	67,746,908	67,746,908
Profit and loss account		<u>1,435,084</u>	<u>101,575</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u>69,249,471</u>	<u>67,915,962</u>

H A Alexander  Directors

K B S Malik 

Approved by the Board of Directors on 6 January 1999

The notes on pages 7 to 10 form part of these financial statements.  
Auditors' report page 4.

## **THE ECONOMIST GROUP LIMITED**

### **Notes to the financial statements - 31 March 1998**

#### **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 prevailing at the balance sheet date.

#### **2. Directors' emoluments**

None of the directors received any emoluments from the company during the year (1997: £NIL).

#### **3. Employees**

The company had no employees during the year (1997: NIL).



# **THE ECONOMIST GROUP LIMITED**

## **Notes to the financial statements - 31 March 1998**

### **4. Profit/(loss) on ordinary activities before taxation**

The audit fees for 1998 and 1997 were borne by the parent company. Foreign exchange differences included in administrative expenses amounted to £NIL (1997: £15,736 expense).

### **5. Income from fixed asset investments**

	1998	1997
	£	£
Dividend income from shares in group companies	<u>1,335,337</u>	<u>-</u>

### **6. Tax on profit / (loss) on ordinary activities**

	1998	1997
	£	£
UK Corporation tax at 31% (1997: 33%)	413,388	-
Double tax relief	<u>(413,388)</u>	<u>-</u>
	<u>-</u>	<u>-</u>

### **7. Fixed assets: investments**

	1998 and 1997 £
Investments in Group Company	
At 1 April 1997 and 31 March 1998, at cost	<u>67,814,385</u>

The above investment comprises 37.54% of the nominal value of the issued ordinary shares of the Economist Group (Luxembourg) S.a.r.l., a company incorporated in Luxembourg.

# THE ECONOMIST GROUP LIMITED

## Notes to the financial statements - 31 March 1998

### 8. Debtors

	1998	1997
	£	£
Amounts owned by group companies	99,749	101,577
Dividends receivable from subsidiary undertaking	1,335,337	-
	<u>1,435,086</u>	<u>101,577</u>

### 9. Called up share capital

	1998	1997
	£	£
Authorised:		
75,000 Ordinary shares of £1 each	<u>75,000</u>	<u>75,000</u>
Allotted, called-up and fully paid:		
67,479 Ordinary shares of £1 each	<u>67,479</u>	<u>67,479</u>

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".

### 10. Share premium account

	1998 and 1997 £
At 1 April 1997 and 31 March 1998	<u>67,746,908</u>

## THE ECONOMIST GROUP LIMITED

### Notes to the financial statements - 31 March 1998

#### 11. Reconciliation of movement in shareholders' funds

	1998	1997
	£	£
Opening shareholders' funds	67,915,962	67,851,502
Profit/(loss) for the year	<u>1,333,509</u>	<u>(64,460)</u>
Closing shareholders' funds	<u>69,249,471</u>	<u>67,915,962</u>

#### 12. 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.

#### 13. 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 Standard 8: "Related Party Transactions".