236383

The Economist Group
Annual Report 1990

Contents

Notice of meeting

Notice is hereby given that the annual general meeting will be held at 25 St James's Street, London SW1 on Tuesday the 31st day of July 1990 at 12.15pm for the following purposes:

1. To receive the report of the directors and the audited accounts for the year ended 31 March 1990
2. To declare the final dividend
3. To approve and ratify an ex-gratia payment of £69,500 to Mr. Hugo J Meynell, a former director of the company
4. To re-appoint Coopers & Lybrand Deloitte as auditors
5. To authorise the directors to fix the remuneration of the auditors

By order of the board

Patrick R Brennan
Secretary

25 St James's Street
London SW1A 1HG

29 June 1990

A member who is entitled to attend and vote may appoint a proxy, who need not be a member of the company, to attend and vote instead of him.

Trustees and board of directors

Directors
§ Sir John Harvey-Jones MBE
Chairman

* The Hon Alan Hare MC (retired 31 December 1989)
Deputy Chairman

* David S Gordon
Chief Executive

§ Hugo I Meynell (retired 31 December 1989)
Deputy Managing Director

§ Rupert Pennant-Rea
Editor

§ Jeremy R S Wagener
Finance Director

* Frank Barlow

* Sir Peter Gibbings

* John H Hale

§ Philip M Hawley

§ Sir Claus Moser KCB CBE

§ Sir Evelyn de Rothschild

* Pierre J Vinken (appointed 28 November 1989)

The Earl of Drogheda KG KBE (died 24 December 1989)
Alternate director to Philip M Hawley

Secretary
Patrick R Bresnan

Registered office
25 St James's Street
London SW1A 1HG

Registered in England
Number 236383

Auditors
Coopers & Lybrand Deloitte

§ Appointed by 'A' special shareholders
** Appointed by 'B' special shareholders*

Chairman's statement

Group results

I am happy to report to you that last year was successful for The Economist Group when taken as a whole. Profit before tax increased by 59.2% from £6.35m to £10.11m. Earnings per share rose by 63.9% from 80.4p to 131.8p after a tax charge of 33.4% compared with 36.0% in the previous year; the effective tax rate in future years is likely to be higher. The results include a full year's contribution from CFO Publishing Corporation which was acquired in November 1988.

Your Board is recommending a final dividend of 25p per share compared with 19p per share in the previous year. The total recommended dividend of 40p per share is an increase of 33.3% over the 1988/89 payment of 30p and is covered 3.3 times by earnings.

The Economist newspaper

The Economist newspaper enjoyed very favourable trading conditions last year. Advertising revenue was buoyant and circulation revenue increased strongly as the number of copies sold rose in all regions.

Turnover increased by 26.6% from £40.35m to £51.07m and the profit of £11.04m was 71.9% higher than in the previous year as margins rose from 15.9% to 21.6%. Approximately 50% of the newspaper's revenue is earned in US dollars. We have continued our policy of covering forward a proportion of this revenue and other foreign currency receipts and payments in order to provide a greater degree of certainty about our results. When sterling is strengthening this policy has the effect of increasing our profits, but when sterling is weak, as was the case last year, profits are lower than they would otherwise be. Despite this position, our profits still benefitted overall from the movements in exchange rates between 1988/89 and 1989/90.

During the year, we changed printers for the UK edition of the newspaper at the same time moving to the same quality of paper for both editorial and advertising pages.

The average weekly circulation of the newspaper in the year was 399,400 copies, an increase of 37,100 copies or 10.2% over the previous year. Circulation has doubled since 1982 as the graph on page 7 shows. Last year circulation on the Continent of Europe increased strongly and averaged 76,200 copies, an increase of nearly 14% over the previous year. Growth in North America was most encouraging again and sales reached 168,000 copies, also an increase of nearly 14%. In the United Kingdom, circulation averaged 91,700 copies each week and in the Asia/Pacific region we sold 42,800 copies, both regions showing increases over the previous year.

Business information

The Group's activities in the field of business information and advice are organised in one global company, Business International, which includes The Economist Intelligence Unit publications.

Turnover increased by 13.8% from £20.87m to £23.76m with profit before reorganisation costs 6.9% higher at £716,000. It was encouraging to see the increase in turnover but the overall margin achieved in this business is still lower than I believe should be attained.

As I reported at the interim stage, Business International incurred further reorganisation costs; these have been reported separately and amounted to £629,000 last year compared with £142,000 in the previous year. The costs were the result of the transfer of production, fulfilment, marketing and accounting functions from Geneva to London and the closure of a number of European offices.

Some individual regions and product groups showed good progress. The Americas, for many years a loss maker, reported a profit. The Country and Industry publications sold under the name of the Economist Intelligence Unit, increased their turnover and profits substantially. The Eastern Europe region benefitted from interest in the political and economic developments in those countries.

Other publishing activities

These activities now comprise CFO magazine, diaries, books and directories (including Crawford's Directory of City Connections), Foreign Report, The Economist Conference Unit, The World in 1990 and Second Rights

Turnover increased from £9.03m to £14 34m and profits from £1 34m to £1 52m partly reflecting the first full year of trading under the Group's ownership of CFO Publishing Corporation, 84% of which was acquired in November 1988 The profit from CFO magazine last year exceeded expectations. It is now sent free to 300,000 chief financial officers in North America. During the year the 16% minority interest was purchased for $1.93m from the founder publisher who resigned, a new publisher has now been appointed

The volume of diary sales remained constant and profits were lower than for the previous year The World in 1990 continued the success of its predecessors

Property

The refurbishment of The Economist Building complex was completed during the year The total cost (excluding interest) was approximately £16 75m which we were able to finance from our own cash resources and a bank loan of £9 0m of which £3 0m has now been repaid Our property advisors have valued the complex at £47 6m

Letting agents have been actively marketing the office and retail areas of the main building which are not occupied by The Economist Not surprisingly in the current property climate, the letting has been slower than we had originally hoped but four out of seven office floors are either let or under offer

Directors and staff

I paid tribute in my Interim Statement to Alan Hare and Hugo Meynell who left the Board on 31 December, 1989 and I welcomed Pierre Vinken who was appointed a director on 28 November

Many tributes have been paid to Garrett Drogheda who died on 24 December He became a director of The Economist in 1941 and served as an alternate director and a trustee of the UK pension fund up until his death Despite failing health, his interest in the Group's affairs typically remained lively and probing He will be missed by all his colleagues

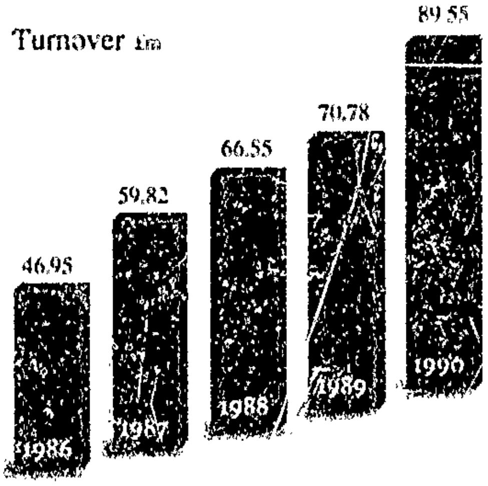
Last year was a particularly successful one for the Group In my first year as Chairman, I have been able to meet many of the staff in different parts of the Group and have been impressed by the quality and dedication which I found On behalf of the Board, I thank them all for their contributions to the Group's success

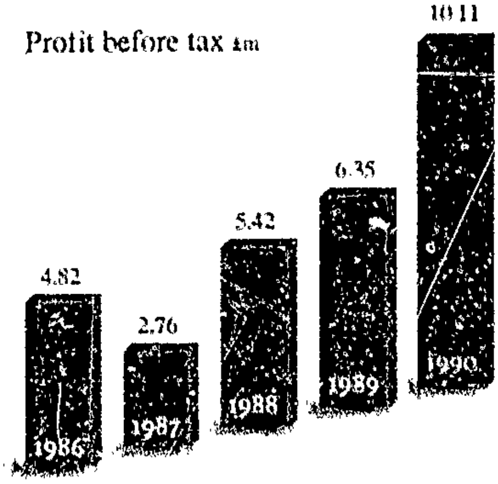
Prospects

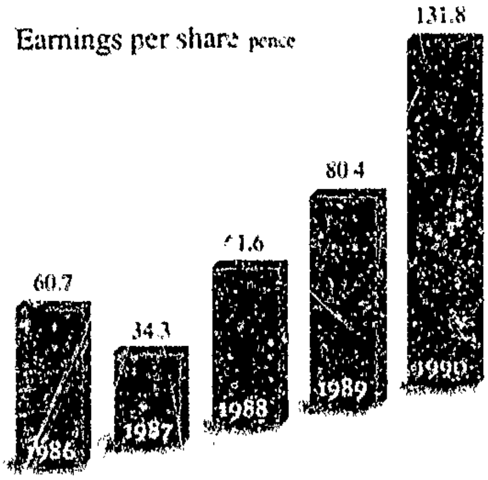
Although the current year has started well, our expectations for the year as a whole remain cautious, advertisement revenue in some parts of the publishing industry is depressed and in both the newspaper and Busin[illegible]nternational we are spending substantial s[illegible] development Despite the likely short-term im[illegible] of these factors on the results, I have every confidence in the future of The Economist Group and its different activities

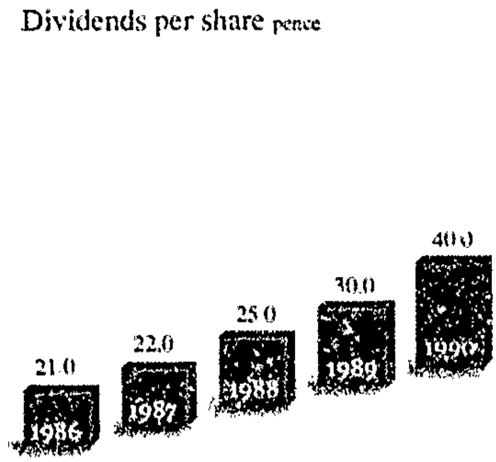
John Harvey-Jones

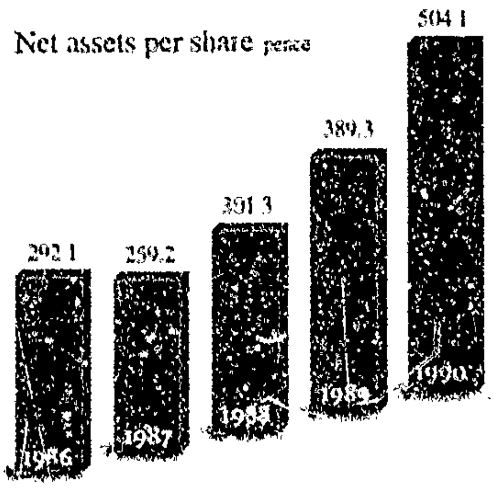
The Economist Group 1986-1990

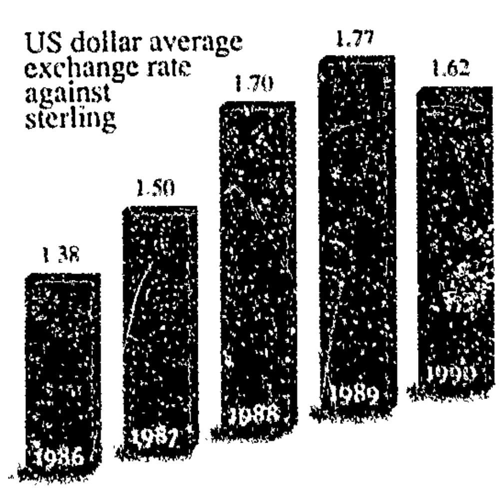










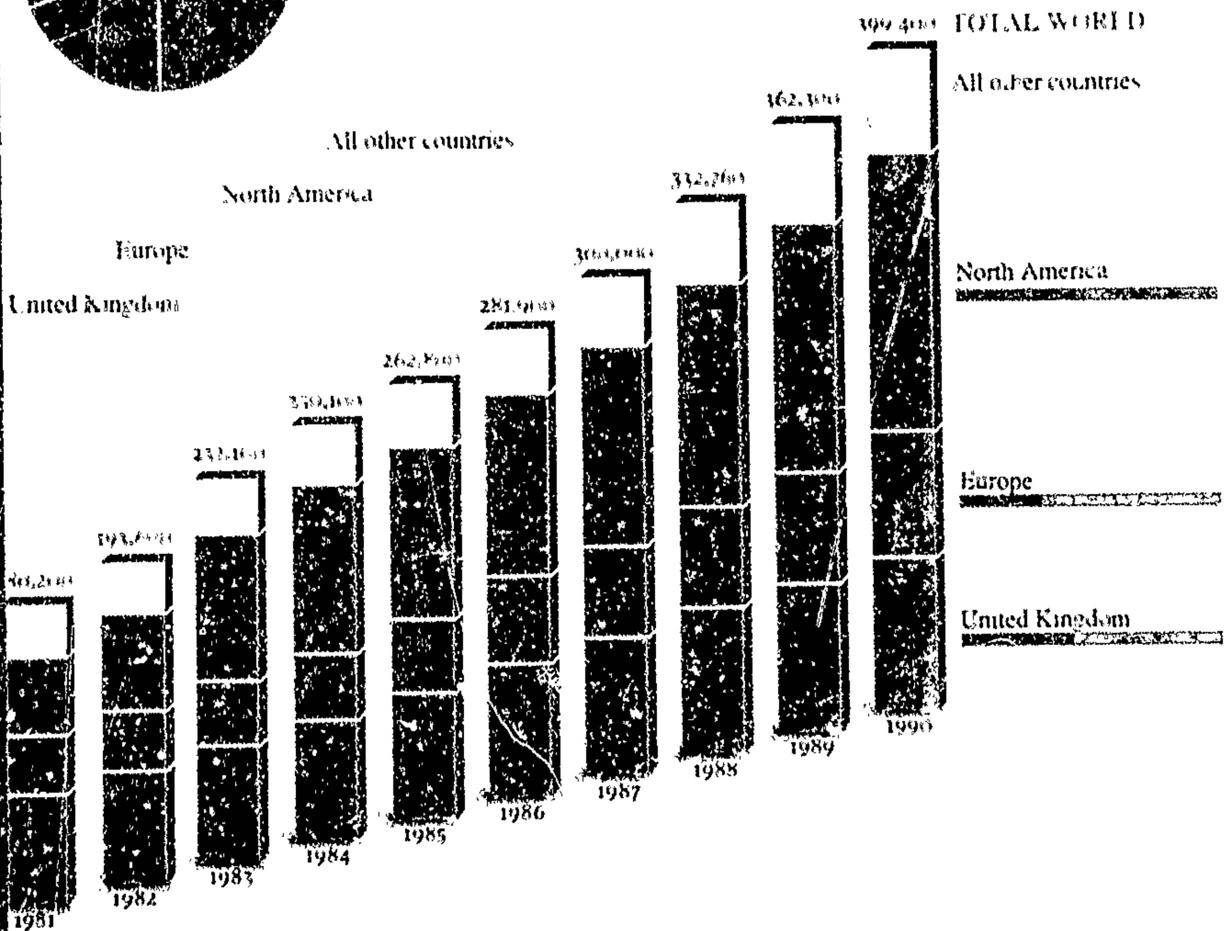


Note: detailed results are shown in the five year summary on page 24

All years are to 31 March

Growth of international circulation

% SHARE OF TOTAL CIRCULATION



Average weekly sales in each year to 31 March

Report of the directors

The directors present their report and audited accounts for the year ended 31 March 1990 which were approved at a Board meeting on 26th June 1990.
A review of the principal activities and operations of the Group is given in the Chairman's statement on pages 4 and 5

Group results	1990 £000	1989 £000
Turnover	89,550	70,782
Profit on ordinary activities before taxation	10,111	6,353
Taxation	(3,374)	(2,286)
Profit after taxation	6,737	4,067
Minority interest	(95)	(15)
Profit of the year	6,642	4,052

Principal activities
The principal activities of the Group consist of:

The publication of The Economist newspaper
The supply of business information
Other publishing activities including books, diaries and CFO magazine
The letting of property

Proposed dividend
The directors propose a final dividend of 25 pence per share in addition to the interim dividend of 15 pence per share paid on 1 December 1989 making a total dividend for the year of 40 pence (1989: 30 pence). After deducting the total dividend payment of £2,016,000 from profit for the year, £4,626,000 is carried to reserves.
The gross dividend for the year is 53.3 pence (1989: 40 pence).

Directors
The directors who held office during the year are shown on page 3.

Directors' Interests
The interests of the directors in the share capital of the company, as recorded in the register of directors' interests, were:

		1990 'A' Special	1990 Ordinary	1989 'A' Special	1989 Ordinary
Beneficial holding:	Sir John Harvey-Jones, MBE	—	400	—	—
	David S Gordon	16,165	700	16,165	700
	Hugo I Meynell	1,052	—	1,052	—
	Sir Claus Moser KCB CBE	—	6,000	—	6,000
	Rupert Pennant-Rea	15,000	100	15,000	100
	Sir Evelyn de Rothschild	48,088	259,200	48,088	259,200
	Jeremy R S Wagener	1,000	—	1,000	—
	The Estate of The Earl of Drogheda KG KBE	—	6,000	—	6,000
Holding as trustee	Sir Evelyn de Rothschild	—	402,510	—	402,510

No other director had shareholdings in the company

Corporate information
The Articles of Association of the company provide for both the continued independence of the ownership of the company and the editorial independence of The Economist newspaper.
The general management of the business of the company is under the control of the board of directors. There are 13 seats on the board, 7 of which are appointed by holders of 'A' special shares. There are currently 52 'A' special shareholders. The 'B' special shares are all held by The Financial Times Limited which is entitled to appoint 6 directors to the board. None of the 'A' special and 'B' special shares may be transferred without the prior approval of the trustees.
The ordinary shareholders are not entitled to participate in the appointment of directors, but in practically all other respects rank pari passu with the other shareholders.
The transfer of ordinary shares must be approved by the board of directors.
Prior to appointment as editor, the candidate must have been approved by the trustees

Fixed assets
Work on the refurbishment of The Economist Building complex was substantially completed by 31 March 1990. All known costs have been provided for in the accounts. The building has been included in the accounts at a valuation of £47,600,000 made at 31 March 1990 by an independent firm of chartered surveyors.

Employees
The Group recognises the benefits of keeping employees informed of the progress of the business and of involving them in the Group's performance. Employees are regularly provided with information regarding the Group's activities. It is the policy of the Group to ensure that fair opportunities are given to the employment of disabled persons in accordance with their aptitudes and abilities.

Profit sharing
A profit sharing scheme, based on the return on sales, enables employees to share in the profits of their operating division and of the Group. A separate scheme, based on earnings per share, is in operation for senior executives.

Charitable and political contributions
During the financial year, the Group made contributions to charities amounting to £42,000 (1989: £30,000). No contributions were made for political purposes.

Auditors
The Group's auditors, Coopers & Lybrand, have merged their practice in the United Kingdom with Deloitte Haskins & Sells and now practise in the name of Coopers & Lybrand Deloitte. They have signed the auditors' report in their new name. A resolution to re-appoint Coopers & Lybrand Deloitte as the company's auditors will be proposed at the annual general meeting.

By order of the board

Patrick R Bresnan
Secretary
26 June 1990

Consolidated profit and loss account

Year ended 31 March

	Note	1990 £000	1989 £000
Turnover	1	89,550	70,782
Cost of sales		(33,171)	(27,140)
Gross profit		56,379	43,642
Distribution costs		(7,863)	(6,279)
Administrative, development and other expenses		(37,715)	(29,806)
Interest receivable and other income	2	2,373	1,604
Interest payable and other charges	3	(960)	(1,248)
Profit on ordinary activities before employees' profit share and taxation	1	12,214	7,913
Employees' profit share		(2,103)	(1,560)
Profit on ordinary activities before taxation	1, 4	10,111	6,353
Taxation on profit on ordinary activities	7	(3,374)	(2,286)
Profit on ordinary activities after taxation		6,737	4,067
Attributable to minority shareholders		(95)	(15)
Attributable to shareholders of The Economist Newspaper Limited		6,642	4,052
Dividends	8	(2,016)	(1,512)
Retained profit	9, 19	4,626	2,540
Earnings per share	10	131.8p	80.4p

The notes on pages 13 to 22 form part of these accounts
The report of the auditors is on page 23

Balance sheets

At 31 March

	Note	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Fixed assets					
Tangible assets	11	52,851	41,242	3,295	2,049
Investments	12	122	251	15,134	15,250
		52,973	41,493	18,429	17,299
Current assets					
Stocks	13	2,447	2,152	1,064	1,939
Debtors	14	18,983	14,665	31,181	20,900
Cash and deposits		8,774	13,095	5,927	7,455
		30,204	29,912	38,172	30,294
Creditors: due within one year	15	(22,127)	(15,362)	(21,648)	(10,990)
Unexpired subscriptions		(20,513)	(18,952)	(5,956)	(10,986)
Net current (liabilities)/assets		(12,436)	(4,402)	10,568	8,318
Total assets less current liabilities		40,537	37,091	28,997	25,617
Creditors: due after one year	16	(12,992)	(15,812)	(6,992)	(6,812)
Provisions for liabilities and charges	17	(2,140)	(1,617)	280	162
		25,405	19,662	22,285	18,967
Interests of minority shareholders		—	(42)	—	—
		25,405	19,620	22,285	18,967
Capital and reserves					
Called up share capital	18	1,260	1,260	1,260	1,260
Revaluation reserve	19	17,243	14,787	2,827	2,827
Profit and loss account	19	6,902	3,573	18,198	14,880
		25,405	19,620	22,285	18,967

Sir John Harvey-Jones MBE
Jeremy R S Wagener
Directors

The notes on pages 13 to 22 form part of these accounts
The report of the auditors is on page 23

Consolidated statement of source and application of funds

Year ended 31 March

	£000	1990 £000	£000	1989 £000
Source of funds				
Profit on ordinary activities before taxation		10,111		6,353
Adjustment for items not involving the movement of funds:				
Depreciation	1,714		1,316	
Release of provision for onerous leases	(10)		(10)	
Loss on sale of tangible fixed assets	66		137	
Profit on sale of fixed asset investments	(149)		—	
Exchange differences arising on consolidation	(86)		(605)	
Share of loss before taxation of related company	70	1,605	26	864
Total generated from operations		11,716		7,217
Funds from other sources				
Sale of tangible fixed assets	231		243	
Sale of fixed asset investments	233		—	
Bank loan	—		6,812	
Minority interest	—	464	42	7,097
		12,180		14,314
Application of funds				
Repayment of bank loan	(3,000)		—	
Dividends paid	(1,714)		(1,310)	
Taxation paid	(2,680)		(2,528)	
Purchase of goodwill*	(1,048)		(6,339)	
Purchase of fixed assets*	(3,475)		(1,869)	
Refurbishment expenditure (including capitalised interest)	(9,188)		(10,621)	
Capitalisation of onerous lease	1,274		—	
Purchase of investments (shown as fixed assets)	—		(45)	
Minority interest acquired*	(125)	(19,956)	—	(22,712)
		(7,776)		(8,398)
Changes in working capital				
Increase in stocks*		295		351
Increase in debtors*		4,318		2,748
Increase in unexpired subscriptions*		(1,561)		(4,121)
Increase in other creditors (excluding bank overdrafts, taxation and proposed dividends)*		(6,520)		(2,439)
		(3,468)		(3,461)
Movement in net liquid funds				
Decrease/(increase)in bank overdrafts	13		(153)	
Decrease in cash and deposits*	(4,321)	(4,308)	(4,784)	(4,937)
		(7,776)		(8,398)

* See note 20 for summary of assets and liabilities acquired with the purchase of the minority interest in CFO Publishing Corporation.

The notes on pages 13 to 22 form part of these accounts
The report of the auditors is on page 23

Accounting policies

Accounting convention
These accounts are based on the historical cost convention as modified by the revaluation of long leasehold property.

Turnover
Turnover represents sales to third parties excluding value added tax and other sales taxes, and trade discounts.

Basis of consolidation
The Group accounts comprise the accounts of the parent company and of its subsidiary companies for the year ended 31 March 1990. The consolidated profit and loss account includes the Group's share of the unaudited results of the related company for the twelve months ended 31 December 1989, and its reserves arising since acquisition attributable to the Group are included in the consolidated reserves. As permitted by section 228 (7) of the Companies Act 1985, the company's own profit and loss account is not presented.

Foreign currencies
All foreign currency monetary assets and liabilities have been translated into sterling at the rates of exchange ruling at the balance sheet date or, if appropriate, by reference to the rate of exchange fixed under the terms of related or matching foreign exchange contracts. All exchange differences arising from the application of this policy are included in the profit or loss on ordinary activities before taxation.
The results of overseas subsidiaries are translated into sterling at the average rate for the year with balance sheets translated at the closing rate. Exchange differences arising from the re-translation of the opening net investments at closing rates are recorded as movements on reserves.
The Group enters into forward currency and option contracts to hedge currency exposures. Realised gains or losses arising from the closing of contracts and by matching open contracts to monetary assets and liabilities are included within the trading results of the period. Other gains or losses on open contracts are not recognised.

Goodwill
Goodwill is written off to reserves in the year in which it arises.

Depreciation
The long leasehold property which comprises The Economist Building complex is included at a valuation and is amortised over the remaining life of the lease on a sinking fund basis using an interest rate of 4% per annum with the exception of short life building costs, plant and machinery and fixtures and fittings. These categories are amortised over 25 years, 20 years and 10 years respectively. Amortisation of refurbishment expenditure will commence not later than 1 April 1990.
Other plant, machinery and equipment are depreciated at appropriate rates varying from 4% to 50% on a straight line basis, except for motor vehicles where the reducing balance basis is used. Assets costing less than £1,000 are written off in the year of purchase.

Stocks
Stocks and work in progress are valued at the lower of cost and net realisable value. Work in progress includes an appropriate level of overheads.

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

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 taxation relief, which would arise on the remittance of profits retained overseas.

Pensions
The Group operates pension schemes for the majority of its employees throughout the world. The main scheme, for UK staff, provides for defined benefits. Both defined benefit and defined contribution schemes are operated for overseas staff. 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 provisions of Statement of Standard Accounting Practice No 24 "Accounting for Pension Costs" have been applied to determine the Group's pension costs for the year; the previous year's figures have not been restated. An analysis of pension costs is included in note 21.

Notes on the accounts

1 Turnover and profit on ordinary activities before taxation

The analysis of turnover and profit on ordinary activities before taxation by activity is as follows:

	Turnover 1990 £000	Profit 1990 £000	Turnover 1989 £000	Profit 1989 £000
The Economist newspaper	51,074	11,036	40,348	6,417
Business information	23,756	716	20,871	670
Other publishing activities	14,337	1,515	9,030	1,343
Other activities and central costs	383	(424)	533	(375)
	89,550	12,843	70,782	8,055
Costs of reorganising the European operations of the business information activity		(629)		(142)
		12,214		7,913
Employees' profit share		(2,103)		(1,560)
Profit before taxation		10,111		6,353

2 Interest receivable and other income

	1990 £000	1989 £000
Interest receivable	2,137	1,541
Other operating income	236	63
	2,373	1,604

Interest receivable includes intra-group interest of £773,000 (1989: £Nil) which has been capitalised as part of the cost of the refurbishment of The Economist Building complex.

3 Interest payable and other charges

	1990 £000	1989 £000
On bank overdrafts and loans repayable within five years	2,161	87
On bank overdrafts and loans repayable after five years	—	1,404
Share of loss of related company	70	26
	2,231	1,517
Less: interest capitalised	(1,271)	(269)
	960	1,248

4 Profit on ordinary activities before taxation

	1990 £000	1989 £000
Profit is stated after charging the following:		
Directors' emoluments: Fees	90	52
Management remuneration including pension scheme contributions but excluding profit share of £272,000 (1989:£223,000)	399	340
Ex-gratia payment to former director	69	—
Auditors' remuneration (including £81,000 in respect of the previous year)	260	108
Operating lease rentals: plant and equipment	25	32
: land and buildings	2,271	1,729
Depreciation	1,714	1,316

Directors' emoluments

moluments of directors were as follows:	1990	1989
	£	£
hairman	22,134	15,000
ighest paid director	172,012	151,998
ther directors:	Number	Number
lot exceeding £5,000	1	6
£5,001-£10,000	5	1
£10,001-£15,000	2	—
£95,001-£100,000	—	1
£115,001-£120,000	—	1
£130,001-£135,000	1	—
£145,001-£150,000	—	1
£150,001-£155,000	1	—
£170,001-£175,000	1	—

The emoluments include sums due to executive directors from an incentive scheme based upon the increase in earnings per share over previous years and ex-gratia payments, and exclude pension contributions.

The previous year's information on directors' emoluments in notes 4 and 5 has been restated to show amounts due from the incentive scheme on an accrued instead of a paid basis.

6 Employees

	1990	1989
Average number of employees including executive directors by business activity was as follows:	Number	Number
The Economist newspaper	269	246
Business information	328	328
Other publishing activities	60	53
Other activities and central costs	38	33
	695	660

Employment costs including executive directors' emoluments:		
	£000	£000
Wages and salaries	16,848	15,146
Employees' profit share	2,103	1,560
	18,951	16,706
Social security costs	1,375	1,455
Other pension costs	1,220	1,446
	21,546	19,607

The number of employees of the parent company whose remuneration, including profit share, fell within the following ranges, was:	Number	Number
£30,001-£35,000	16	17
£35,001-£40,000	13	11
£40,001-£45,000	12	4
£45,001-£50,000	8	4
£50,001-£55,000	2	2
£55,001-£60,000	2	—
£60,001-£65,000	1	2
£65,001-£70,000	1	—
£70,001-£75,000	1	—
£75,001-£80,000	1	—
£85,001-£90,000	—	1
£95,001-£100,000	1	—

Employees' profit share includes the amounts due under the schemes based on return on sales and on earnings per share. The previous year's information in the table above has been restated to show profit share on an accrued instead of a paid basis.

7 Taxation

The taxation charge based on the results for the year is made up as follows:	1990	1989
	£000	£000
UK Corporation tax at 35% (1989: 35%)	1,414	2,298
Deferred taxation	852	85
Overseas taxation	1,463	129
Tax credits on overseas income	(346)	(29)
Related company	—	(4)
	3,383	2,470
Adjustments in respect of previous years	(9)	(184)
	3,374	2,286

8 Dividends

	1990	1989
	£000	£000
Interim dividend of 15p per share (1989: 11p per share)	756	554
Proposed final dividend of 25p per share (1989: 19p per share)	1,260	958
	2,016	1,512

9 Retained profit of the year

	1990	1989
	£000	£000
Parent company	3,458	3,161
Subsidiary companies	1,238	(599)
Related company	(70)	(22)
	4,626	2,540

10 Earnings per share

Earnings per share is based on earnings of £6,642,000 (1989: £4,052,000) and the 5,040,000 ordinary and special shares in issue during the year (1989: 5,040,000)

11 Tangible fixed assets

	Leasehold land and buildings Long	Leasehold land and buildings Short	Plant and machinery	Equipment	Total
Group	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 1989	38,349	445	5,973	3,782	48,549
Revaluation	955	—	—	—	955
Additions	9,188	—	1,338	2,137	12,663
Transfers between categories	—	(41)	152	(111)	—
Disposals	(427)	(324)	(497)	(649)	(1,897)
Exchange translation differences	—	8	—	7	15
At 31 March 1990	48,065	88	6,966	5,166	60,285
Depreciation					
At 1 April 1989	449	398	4,372	2,088	7,307
Provided during year	443	3	762	506	1,714
Transfers between categories	—	(40)	63	(23)	—
Disposals	(427)	(324)	(257)	(592)	(1,600)
Exchange translation differences	—	7	—	6	13
At 31 March 1990	465	44	4,940	1,985	7,434
Net book value 31 March 1990	47,600	44	2,026	3,181	52,851
Net book value 31 March 1989	37,900	47	1,601	1,694	41,242

	Plant and machinery	Equipment	Total
Company			
Cost or valuation			
At 1 April 1989	5,129	1,562	6,691
Additions	899	1,483	2,382
Transfers between categories	(31)	31	—
Transfers between companies	(179)	(283)	(462)
Disposals	(363)	(12)	(375)
At 31 March 1990	5,455	2,781	8,236
Depreciation			
At 1 April 1989	3,925	717	4,642
Provided during year	432	263	695
Transfers between categories	7	(7)	—
Transfers between companies	(95)	(125)	(220)
Disposals	(172)	(4)	(176)
At 31 March 1990	4,097	844	4,941
Net book value 31 March 1990	1,358	1,937	3,295
Net book value 31 March 1989	1,204	845	2,049

The refurbishment of The Economist Building complex was substantially complete at 31 March 1990 when a valuation of £47,600,000 was made by an independent firm of Chartered Surveyors. The cost of refurbishment work has been capitalised and includes an amount of £2,313,000 in respect of interest on capital to finance the project

The amount of long leasehold land and buildings based on the historical cost accounting convention is as follows

	Cost	Depreciation	Net book value
	£000	£000	£000
At 1 April 1989	21,150	(436)	20,714
Additions/provisions during year	9,190	(440)	8,750
Disposals	(427)	427	
At 31 March 1990	29,913	(449)	29,464

12 Investments

Group	Shares in group companies £000	Shares in related company £000	Loans £000	Total £000
Balance or cost				
At 1 April 1989		57	194	251
Disposals		—	(84)	(84)
Share of loss after tax for the year		(70)	—	(70)
Provision for losses		13	—	13
Exchange translation differences		—	12	12
At 31 March 1990		—	122	122

Company	Shares in group companies £000	Shares in related company £000	Loans £000	Total £000
Cost or valuation				
At 1 April 1989	15,133	7	110	15,250
Additions	1	—	—	1
Disposals	—	—	(110)	(110)
Provision against cost of investment	—	(7)	—	(7)
At 31 March 1990	15,134	—	—	15,134

The principal subsidiaries of the company which, following the purchase on 31 December 1989 of the remaining 16% of CFO Publishing Corporation, are all wholly owned are:

Business International Limited
Business International Corporation *(USA)*
Business International Asia/Pacific Limited *(Hong Kong)*
Business International Delaware Inc *(USA)*
CFO Publishing Corporation *(USA)*
The Economist Intelligence Unit Limited
The Economist Newspaper (Asia/Pacific) Limited *(Hong Kong)*
The Economist Newspaper, N.A., Inc. *(USA)*
The Economist Newspaper Group Inc *(USA)*
Ryder Street Properties Limited

These companies are engaged in publishing and the provision of business information except for Ryder Street Properties Limited which lets property.

The company holds 50% of the issued share capital of The Economists' Bookshop Limited, a company incorporated and operating in Great Britain; the shares are stated at cost together with the Group's share of attributable profits less losses since the date of acquisition.

13 Stocks

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Raw materials	1,034	889	702	875
Work in progress	1,123	938	270	780
Finished goods	290	325	92	284
	2,447	2,152	1,064	1,930

14 Debtors

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Trade debtors	14,701	12,416	8,189	8,804
Amounts owed by group companies	—	—	20,985	10,998
Other debtors	2,428	984	1,210	414
Prepayments and accrued income	1,854	1,265	797	684
	18,983	14,665	31,181	20,900

Included within amounts owed by group companies is the sum of £19,940,000 (1989: £10,205,000) receivable after one year.

15 Creditors: due within one year

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Bank overdrafts	1,147	1,160	703	898
Trade creditors	6,417	4,655	2,670	2,672
Amounts owed to group companies	—	—	12,313	1,646
Other creditors including taxation and social security	3,301	3,458	1,004	2,097
Accruals	9,310	5,131	3,336	2,719
Proposed dividend	1,260	958	1,260	958
Provision for pensions [Note 21]	692	—	362	—
	22,127	15,362	21,648	10,990

Other creditors including taxation and social security comprise:	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Corporation tax	998	1,881	674	1,611
Other taxes	1,211	385	—	221
Social security	377	152	238	110
Other creditors	715	1,040	92	155
	3,301	3,458	1,004	2,097

16 Creditors: due after one year

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Bank loans to finance:				
Refurbishment of The Economist Building complex	6,000	9,000	—	—
Acquisition of CFO Publishing Corporation	6,992	6,812	6,992	6,812
	12,992	15,812	6,992	6,812

During the year £3,000,000 of the loan to finance the refurbishment of The Economist Building complex was repaid. The loan is repayable in full by May 1994 and the interest is payable at a variable rate linked to LIBOR.

The acquisition of CFO Publishing Corporation was financed by a loan of US$11,500,000. The loan is repayable by instalments commencing November 1990 or November 1991 at the company's option. The loan is repayable in full by November 1995 and interest is payable at a variable rate linked to LIBOR.

17 Provisions for liabilities and charges

	Group			Company
	Deferred taxation	Provision for onerous leases	Total	Deferred taxation
	£000	£000	£000	£000
At 1 April 1989	1,483	134	1,617	(162)
Transfer to profit and loss account	852	(10)	842	(17)
Additional provision	—	1,274	1,274	—
Adjustment to minority interest	12	—	12	—
Advance corporation tax	(101)	—	(101)	(101)
Transfer to revaluation reserve	(1,504)	—	(1,504)	—
At 31 March 1990	742	1,398	2,140	(280)

The amounts provided for deferred taxation calculated under the liability method are:

	Group		Company	
	1990	1989	1990	1989
	£000	£000	£000	£000
Accelerated capital allowances	828	411	183	119
Other timing differences	334	(113)	(43)	38
Surplus on revaluation of long leasehold	—	1,504	—	
Advance corporation tax recoverable	(420)	(319)	(420)	(319)
	742	1,483	(280)	(162)

The deferred tax provision at 1 April 1989 on the revaluation of the long leasehold has been transferred to reserves. If The Economist Building complex were to be sold the potential tax liability would be £5,210,000. All other potential liabilities have been provided except for taxation which would arise on the remittance of profits retained overseas.

18 Share capital

	Authorised		Issued and fully paid	
At 31 March 1989 and 1990	Number	£000	Number	£000
'A' special shares of 25p each	315,000	79	252,000	63
'B' special shares of 25p each	315,000	79	252,000	63
Ordinary shares of 25p each	7,370,000	1,842	4,536,000	1,134
Trust shares of 5p each	100	—	100	—
		2,000		1,260

The 'A' special shares, 'B' special shares and ordinary shares rank pari passu with regard to dividends. The Trust shares do not carry a right to dividends.

19 Reserves

	Group		Company	
	1990	1989	1990	1989
	£000	£000	£000	£000
Revaluation reserve				
At 1 April	14,787	6,262	2,827	3,119
Transfer to profit and loss account	(3)	(295)	—	(292)
Transfer from deferred taxation	1,504	—	—	
Revaluation surplus	955	8,820	—	
At 31 March	17,243	14,787	2,827	2,827
Profit and loss account				
At 1 April	3,573	7,662	14,880	7,782
Goodwill written off	(1,048)	(6,339)	—	
Retained profit of the year	*4,626*	2,540	3,318	6,806
Transfer from revaluation reserve	3	295	—	292
Exchange differences arising on consolidation	(252)	(585)	—	
At 31 March	6,902	3,573	18,198	14,880

Exchange *differences arising on consolidation* include an exchange loss of £179,000 (1989: £304,000) arising on borrowings taken out to finance overseas investments. Statement of Standard Accounting Practice No. 20, "Foreign Currency Translation", states that such exchange differences should be charged to the profit and loss account in the year rather than reserves.

20 Cost of acquisition of the minority interest in CFO Publishing Corporation.

	£000
Group interest in net tangible assets acquired	124
Goodwill	1,048
Cost of acquisition	1,172

21 Pensions

	Group	
	1990	1989
	£000	£000
Funding	528	1,446
Provision	*692*	—
Cost for the year	1,220	1,446

The most recent actuarial valuations were at 1 April 1989 and established that the schemes were adequately funded. In view of the surpluses identified on valuation, which are being written off over thirteen years being the average remaining service lives of members, company contributions to defined benefit schemes have been suspended. Under existing assumptions no further *funding will be required* for approximately three years. The aggregate market value of the group schemes' assets amounted to £30 million.

The principal actuarial assumptions used in the valuation of the UK scheme, which is the major scheme in the Group, assume that, over the long term, the annual rate of return will exceed the long term rate of pensionable salary increase by ½%. The actuarial method used for the valuation is the projected unit credit method.

22 Financial commitments

Operating leases - commitments payable within one year:

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Land and buildings - leases expiring:				
Within one year	17	286	—	6
Between two and five years	1,853	162	52	35
After five years	1,014	1,685	123	422
	2,884	2,133	175	463
Plant and equipment - leases expiring:				
Within one year	9	7	2	2
Between two and five years	12	16	6	10
After five years	—		—	
	21	23	8	12

23 Capital commitments and contingent liabilities

Refurbishment of The Economist Building complex:

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Authorised but not contracted	—	1,550	—	
Contracted but not provided in accounts	—	5,680	—	1,010
	—	7,230	—	1,010

The company has guaranteed certain bank overdrafts of its subsidiaries.

Report of the auditors

To the members of The Economist Newspaper Limited

We have audited the accounts on pages 10 to 22 in accordance with Auditing Standards

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 March 1990 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985

Coopers & Lybrand Deloitte
COOPERS & LYBRAND DELOITTE
Chartered Accountants

London
26 June 1990

Five year summary

Year ended 31 March
(£000s unless otherwise indicated)

RESULTS	1990	1989	1988	1987	19
Turnover	89,550	70,782	66,546	59,816	46,9
Percentage increase in turnover	26.5%	6.3%	11.3%	27.4%	19.0
Profit after employees' profit share and exceptional items but before tax	10,111	6,353	5,421	2,757	4,8
Profit before tax as a percentage of turnover	11.3%	9.0%	8.1%	4.6%	10.3
Profit after tax and minority interest	6,642	4,052	3,104	1,729	3,8
US dollar exchange rate (average)	1.62	1.77	1.70	1.50	1.
PERSONNEL					
Average number of full time employees	695	660	701	713	48
Employee costs (including employees' profit share)	21,546	19,607	18,313	17,754	10,49
Employee costs as a percentage of sales	24.1%	27.7%	27.5%	29.7%	22.4
FINANCIAL DATA IN PENCE PER SHARE					
Earnings	131.8	80.4	61.6	34.3	60.
Percentage increase	63.9%	30.5%	79.6%	-43.5%	68.6
Dividends (net)	40	30	25	22	2
Percentage increase	33.3%	20.0%	13.6%	4.8%	23.5
Net assets (book value)	504.1	389.3	301.3	259.2	292.
Indicative share valuation	1,065	775	650	650	45

Note: Principal acquisitions have been as follows:
Business International Corporation — Acquired July 1986
CFO Publishing Corporation — Acquired November 1988

Compiled by The Economist Newspaper Limited London SW1. Printed in England by Woodrow Press Limited London SE1.