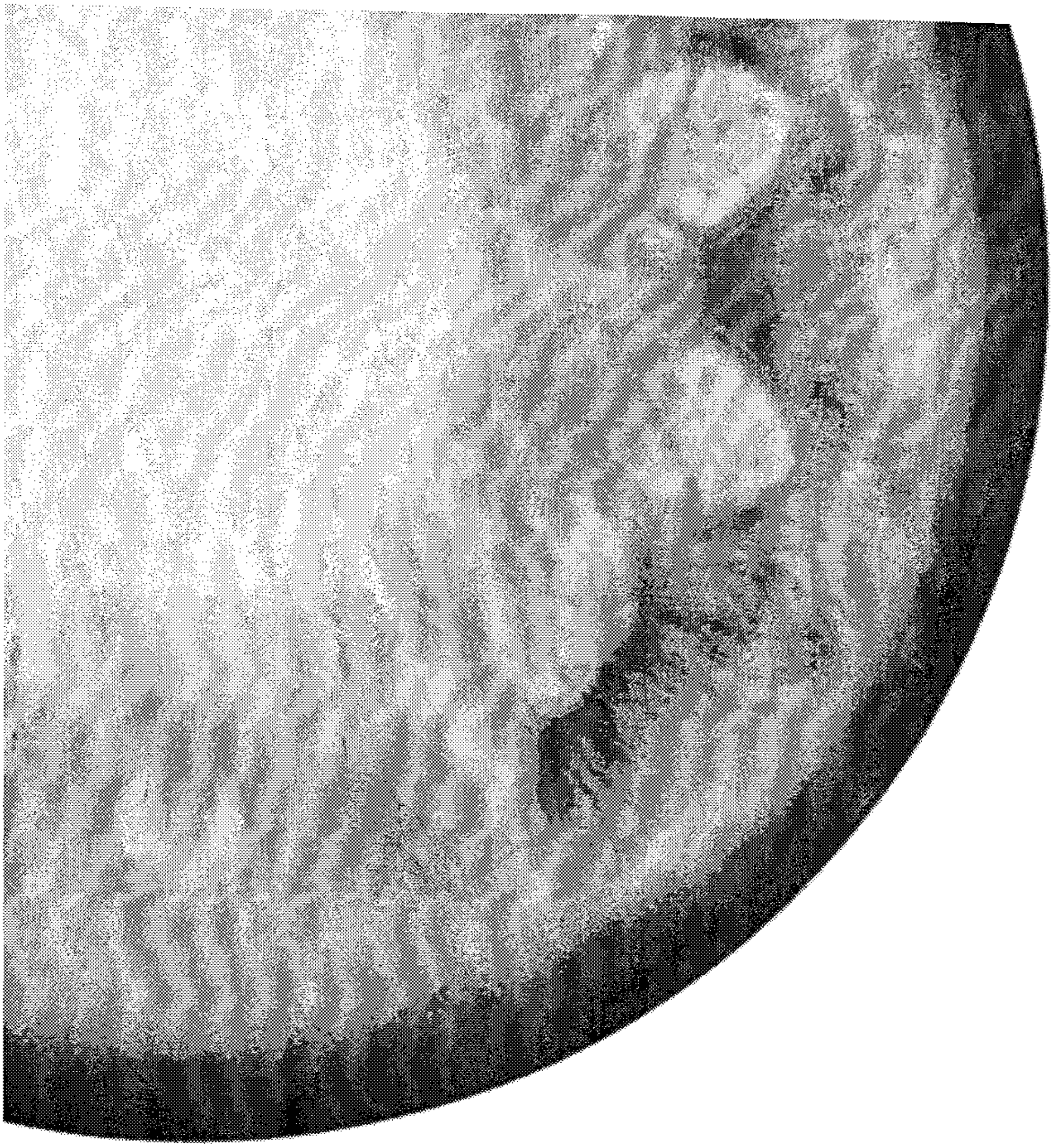
236383

The Economist Group

Review of the year 2001

Review of the year

The Economist Newspaper Limited and its subsidiary companies
registered number 236383



From the chairman and the chief executive

Group revenues grew strongly, increasing by 18% to £275.4m, benefiting especially from the buoyant demand for technology-related advertising during the first half, as well as from favourable exchange rates. Group operating profit before exceptionals declined to £21.4m, affected by the increased level of investment in *The Economist*, electronic delivery, our infrastructure and the new dotcom businesses, particularly in the second half. However, profit after tax for the year amounted to £14.8m, and we generated a positive cashflow of £9.8m, increasing our net cash position to £41.6m. The board is recommending a final dividend of 30 pence, making a total of 41.8 pence for the full year, an increase of 4.5%.

The slowdown experienced during the second half of last year is continuing into the first half of the current year. This, combined with a continuing investment in the development of our brands and businesses, will result in lower first-half profits. In the light of the current uncertain economic outlook we are taking prudent measures, including a reduced level of investment in the dotcom businesses, to protect profitability for the year as a whole.

The Economist continues to go from strength to strength, and reached a weekly circulation average for the year to the end of March of 760,234, an annual growth of 5%. Revenues were up 20%, driven by strong banking and information-technology advertising, rising circulation and the strength of the dollar. Two developments deserve a special mention. We launched a quarterly technology supplement in December 2000 and in May 2001 we redesigned the paper for the first time in 14 years, taking it into full colour. The paper continues to win accolades. As well as being named International Magazine of the Year, *The Economist* was hailed for its circulation growth as one of the top ten magazines in America for an unprecedented eighth time.

The re-launch of Economist.com in October 2000 gives our online audience more than *The Economist*. Most of the content from the newspaper remains paid for rather than free, retaining its premium position in the market. We have added new features: in November we introduced Global Agenda, which analyses the most important stories as they unfold and is updated regularly during the week; ten cities formed the core of the Cities Guide, launched in February 2001; we also launched Global Executive, our career microsite, in April; and Country Briefings, built in partnership with the Economist Intelligence Unit, went live in May.

The Economist Intelligence Unit continued to transform itself into an electronic information-provider. It launched new online data services, enhanced the daily ViewsWire service and introduced e-mailed risk alerts. During the year, sales revenue related to its electronic offerings overtook that from print. Sales into corporate networks form an increasing proportion of revenue. Its Online Store now allows users to choose to pay just for the content they want, through the channel they want, whenever they want.

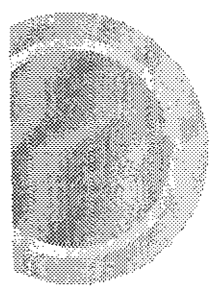
Economist Enterprises, whose mission is to extend the Economist brand, developed its identity during the year. It continued to expand the conference and peer group business, which moved fast to take advantage of the worldwide interest in e-business, running some record-breaking events early in the year. The launch of Economist TV, our television and broadband initiative, generated considerable attention and gave us a new medium through which to reach our sophisticated audience.

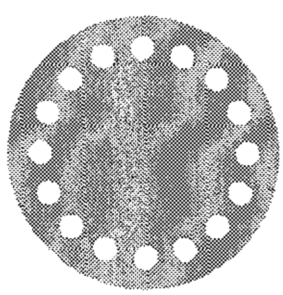
In CFO, we have a strong global brand that is growing very fast, and which can be extended in similar ways to those of the Economist brand. America is still the heartland for *CFO* magazine. Dramatic revenue growth was helped by surging financial and technology advertising, and by the creation of *eCFO*, a new global quarterly magazine on e-business. In Europe, *CFO* is just three years old, and it is younger still in Asia. Already the original growth plans are being beaten in these regions. Crossborder sales represent more than 7% of total revenues, and are growing fast. We launched CFO.com in October 2000, and it has quickly established itself as a leading web resource for finance executives.

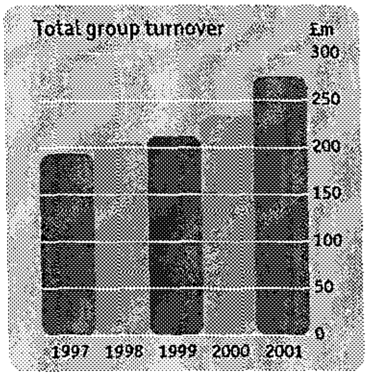
The Journal of Commerce has improved its performance since last year, and has continued to build a solid foundation for the future. The national daily newspaper, so difficult to distribute profitably, was replaced by *JOC Week*, an analytical look at transportation events, people and firms, combined with daily news on the web. PIERS has launched its services on the web, too. The company has moved out of New York City, to save money and to consolidate its businesses under one roof in Newark, New Jersey.

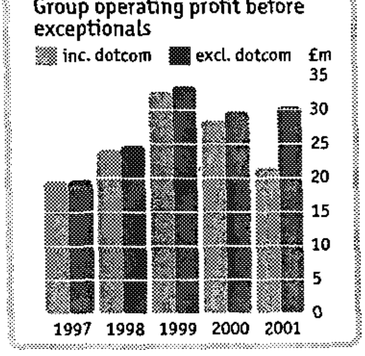
We have other strong titles in our current portfolio. *Roll Call*, in particular, had an excellent year with revenues up 20%.

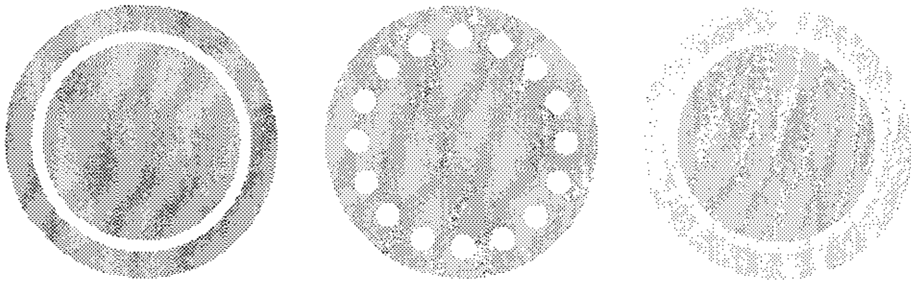
We own two important global brands in The Economist and CFO. Our











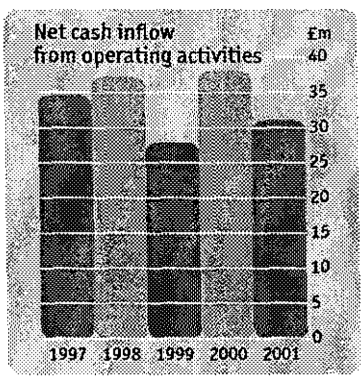
Turnover by business	2001 £m	2000 £m
Economist brand family		
Newspaper	141.3	118.1
EIU	33.2	33.6
Economist.com	2.6	1.1
Enterprises	25.0	20.9
CFO brand family		
CFO magazines and enterprises	33.9	19.9
CFO.com	0.7	0.0
Other business		
Specialist magazines	11.4	11.1
JoC	24.9	26.8
Properties	2.4	2.2
Total turnover	**275.4**	**233.7**

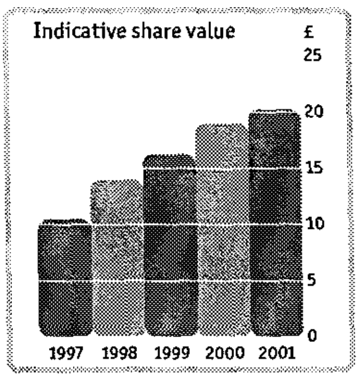
strategy is to develop them even further, for both our readers and our advertisers. This year we have concentrated on increasing the awareness of the range of products under these two brands, on making the products more accessible to all our customers, and on exploiting their strength with new products and services.

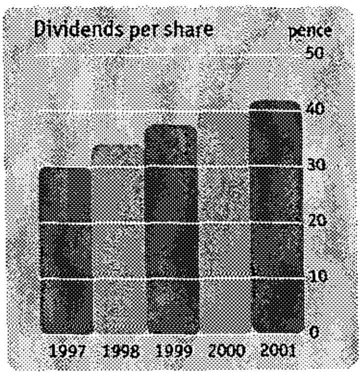
We have built a team of people working in the Group who share its values in intellectual rigour, independence and integrity, and for whom making a healthy return for shareholders is the governing objective. We thank them all.

Dominic Cadbury
Helen Alexander

"Lively debate is what makes the magazine work. Journalists are expected to develop robust views, argue their comments and take criticism. It's the ebb and flow of debate that gives *The Economist* its quirky covers, humourous picture captions and unusual stories from around the world."
*Wallpaper**







The Group

The Economist Group develops global media brands for a sophisticated international audience. Currently, its global brands are The Economist and CFO. The other titles and businesses include *Roll Call*, the Journal of Commerce Group, *European Voice*, *Business Central Europe* and *Public Network Europe*. The Group operates around the world and sells in over 200 countries. Our main business centres are London (the Tower in St James's and 15 Regent Street), New York (the Economist Building) and Hong Kong (on the 60th floor of Central Plaza, the tallest building in the city).

Brand management We want to help customers understand the relationship between the Group, our main brands, and the products and services we offer. We have done a great deal of work on what our brands stand for, and what a product must show to be part of the brand. This should both speed up development of new products and reduce the risk of off-brand launches. The new design framework enables the Economist brand to present a coherent identity across its whole family of businesses.

Economist Conferences The Economist

Economist Intelligence Unit The Economist

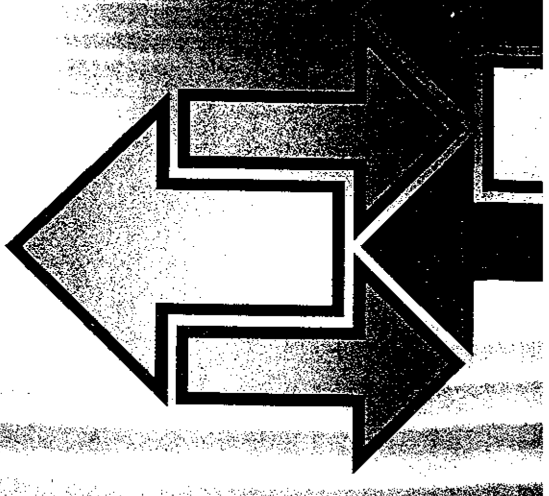
Economist Corporate Network The Economist

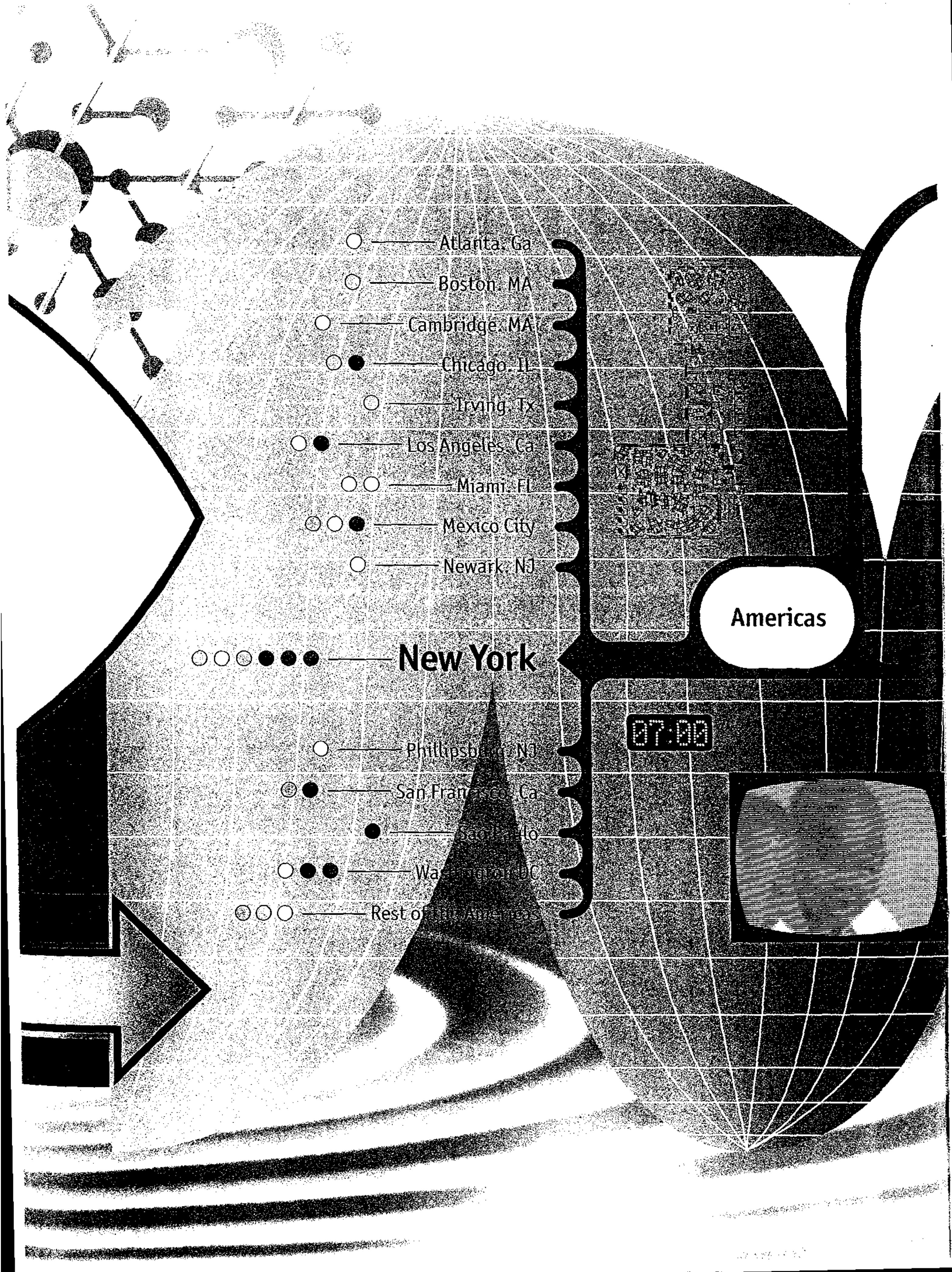
Great content The emphasis on editorial freedom and quality is fundamental to the whole company. The role of editor in chief, held by Bill Emmott, editor of *The Economist*, emphasises the importance we place on editorial content right across the Group. We aim to invest appropriately in our journalism and analysis in order to continue to inform people and influence opinion.

"There's a wide range of data on The Economist Group customer database. Both consumer and business-to-business, as well as controlled and paid circulation, and customers based in every country of the world. It's very versatile."
Database Marketing

Customer insight We launched a database of group customers in October. It currently brings together data on over 2m customers worldwide from several different business units to create a unified view of each customer. Customers who continue to buy from us are amongst our most valuable. We can develop our relationship with them, and find more like them, more effectively, with the detailed picture of our target market provided by the database. We aim to approach the market in a coherent way across the Group, with a shared understanding of different segments.

- The Economist
- Economist Intelligence Unit
- Economist Enterprises
- Economist.com
- CFO family
- JOC Group
- Other titles
- Group Services

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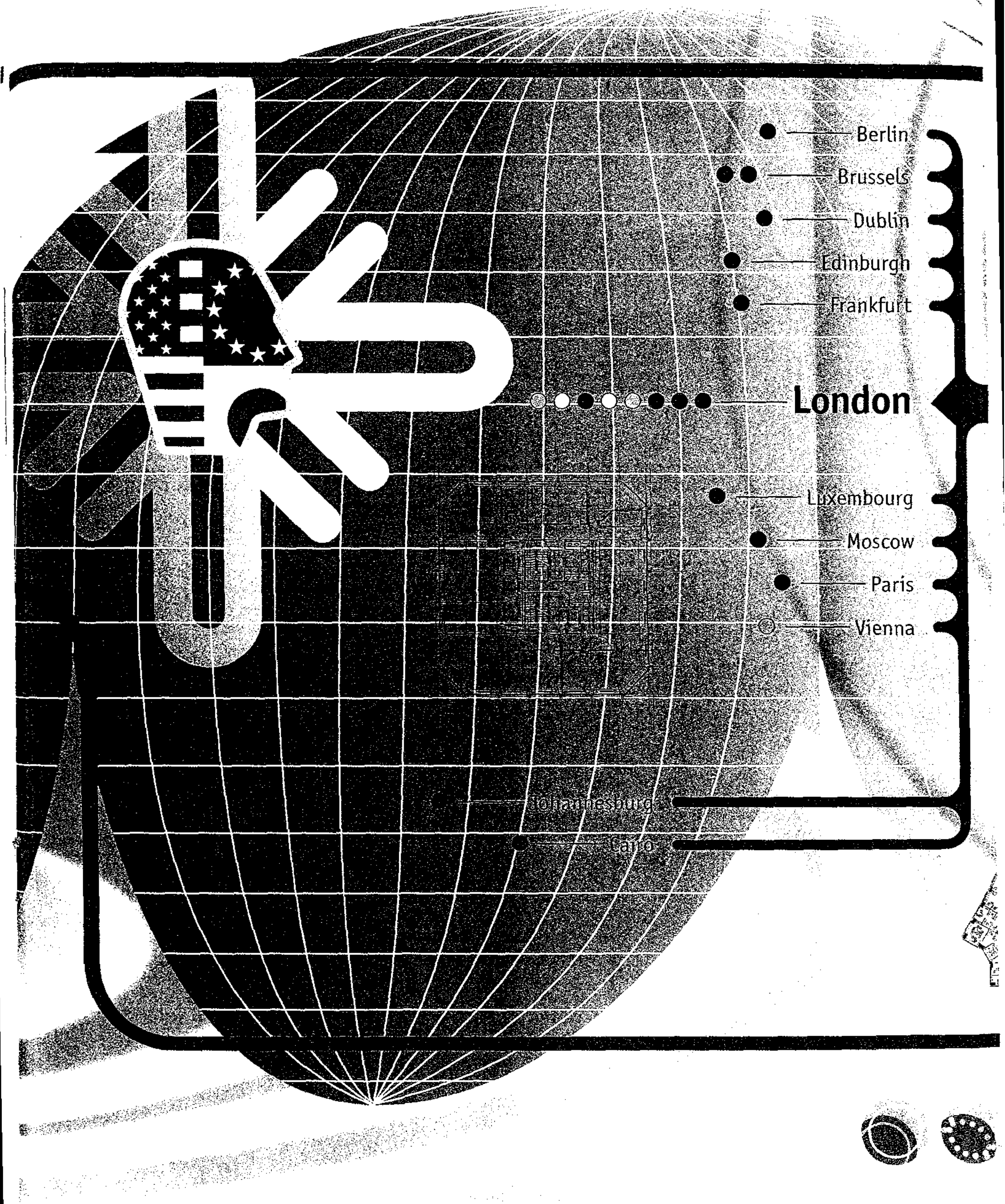
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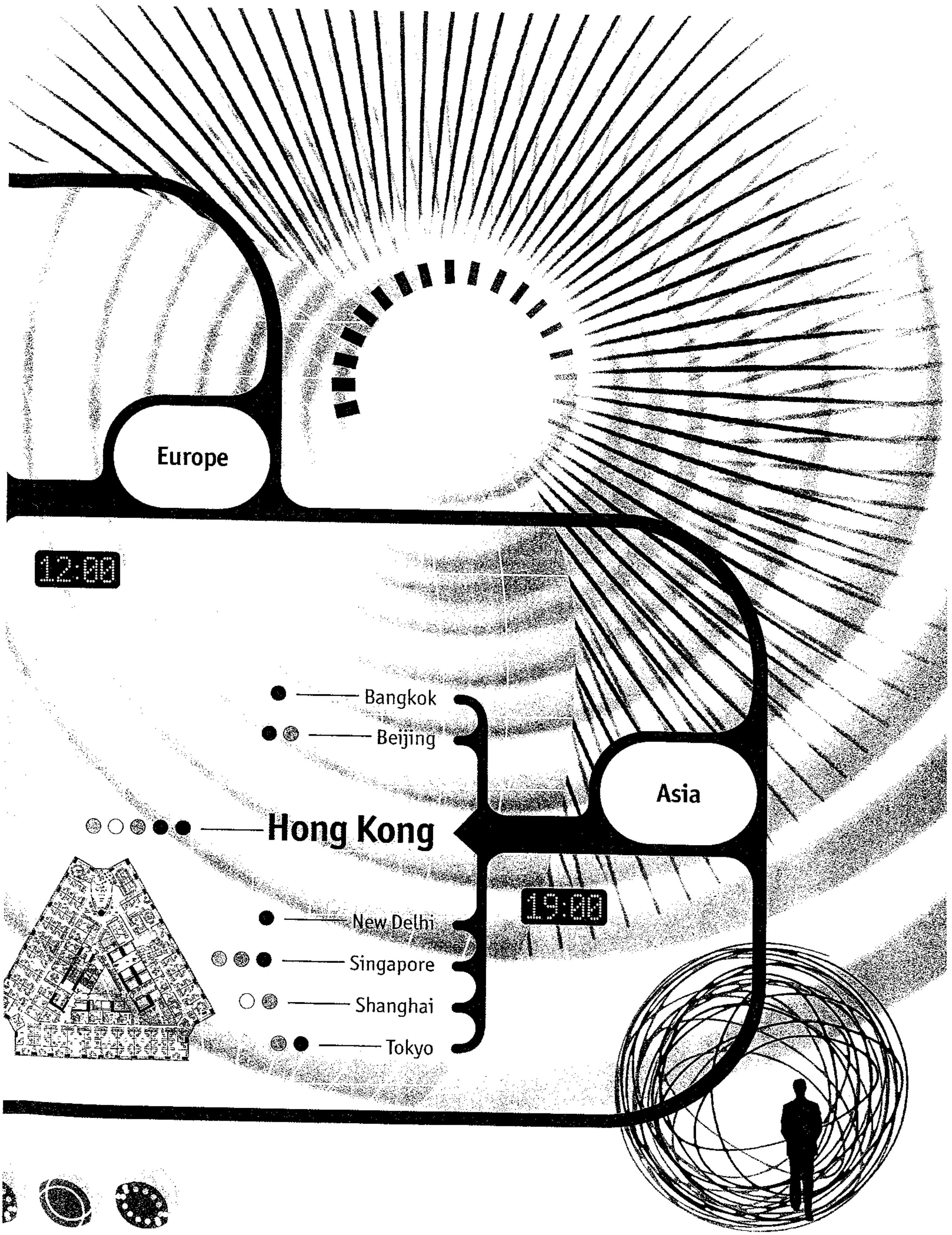
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New Delhi
Singapore
Shanghai
Tokyo

Electronic development We extended the Economist and CFO brands online at considerable speed last year. The number of users increased dramatically. We are taking advantage of the Internet to develop more cost-efficient ways to support our own operations. The Economist Intelligence Unit is continuing its transformation to an electronic business. The furious pace of change in the business means we must constantly develop and build the knowledge of our staff. Our digital skills training programme does just that. It provides senior people with the framework and information they need to steer their businesses through the complex electronic market place.

People The Group employed 1,576 people at the end of the year, made up of over 39 different nationalities. We invested an amount equivalent to roughly 2% of salaries in training our people, and there is now regular provision of training opportunities in key skills. We added a development centre, launched in Asia, which will improve performance-management skills as it is rolled out across the world. Our continuing commitment to fair employment, diversity and equal opportunities is underpinned by our training programme.

We faced competitive labour-market pressures when hiring good staff through most of the year, although these eased a bit in the last quarter, particularly in the United States. The pace of recruitment and the competitive market for talent in the dotcom world called for innovative approaches and outstanding recruitment and retention procedures.

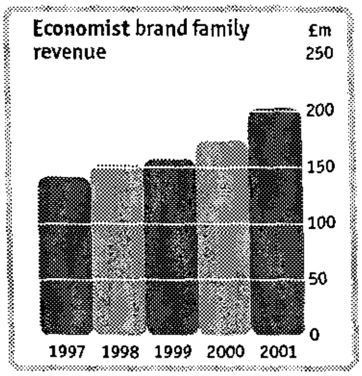
The environment in which people work is taken seriously, and we sought to learn lessons from other companies and apply them in new and refurbished offices in New York and Hong Kong, where the increased openness and less conventional design has encouraged communication.

Our charitable giving is concentrated on areas close to the values and heart of the Group: communications, education, literacy and training for those currently excluded from work. We also have a personal donation-matching scheme which supports staff in their own areas of giving and, together with our small donations budget, allocates funds across a wider range of causes.

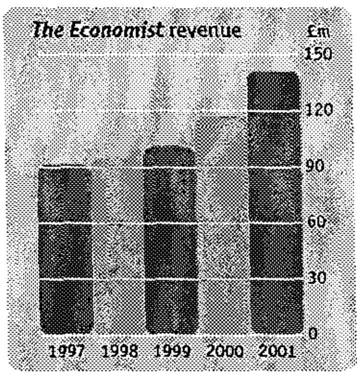
We focused last year on the professionalisation of the Group, and this has resulted in an improvement in all functions. We are now realising the benefits of these investments. The development of the new finance system is a good example, as is the clean-up of the balance sheet that accompanied it. We now have a much greater emphasis on cash management. We are sharing best practices to improve efficiency across the Group.

The Economist brand family

The Economist name is now used on a number of products and services. We have worked on the definition of what it means to carry the brand, and what our customers should expect from us. In essence, anything "Economist" should always be international, independent, decent and intelligent. We will improve our development of new products for our target audience round the world by making sure that they deserve to carry the brand.



The Economist newspaper



"This week's Economist, mind candy for the wordy and worldly, highlights wealthy nations' growing fears ... As always, the writing is insightful and intelligent."
New York Post

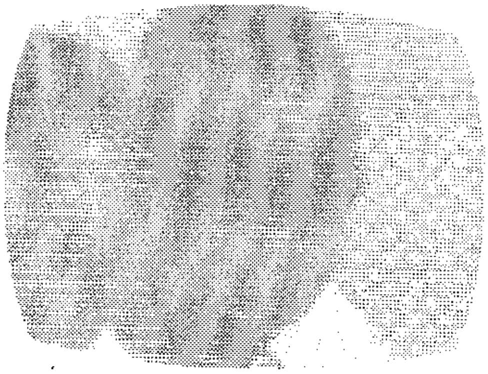
The Economist newspaper remains our largest business and it had a bumper year. Total revenue rose 20% to £141.3m. Circulation reached a record average of 760,234. Advertisement revenue increased by 27%, benefiting from a strong market in the banking and information-technology sectors. The UK was the major market which grew most rapidly, followed by the United States, France and Asia.

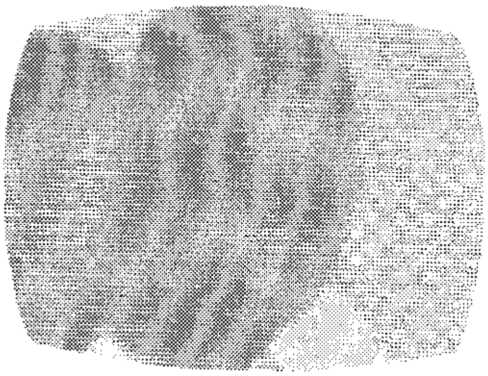
Advertising by dotcoms, by banks providing advice and finance, and by IT companies supplying wares both hard and soft, created a buoyant market. As some of the hype around the dotcoms subsided, so did much of the advertising, with many general business and "new economy" titles falling to more realistic levels. The impact on *The Economist*, with its broader base of advertisers, was contained and we continued to do well, though with the expectation of some readjustment if the market settles further.

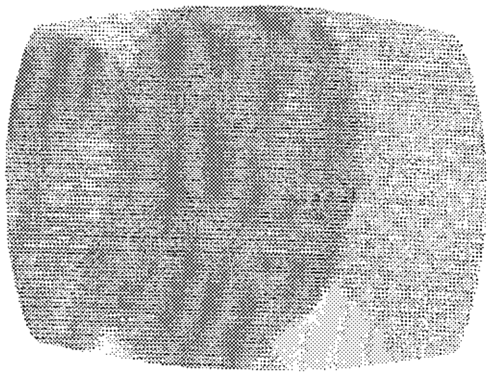
As well as breaking new financial records, the paper unveiled new content. *The Economist* covered the new economy in its business pages and in many successful surveys. We did not introduce a separate "e" section like other titles, but launched *Technology Quarterly* within the paper, analysing the new technologies that are transforming the world. The first issue was published in December 2000. It has been a success both in terms of circulation and advertising. The second edition in March was even more successful.

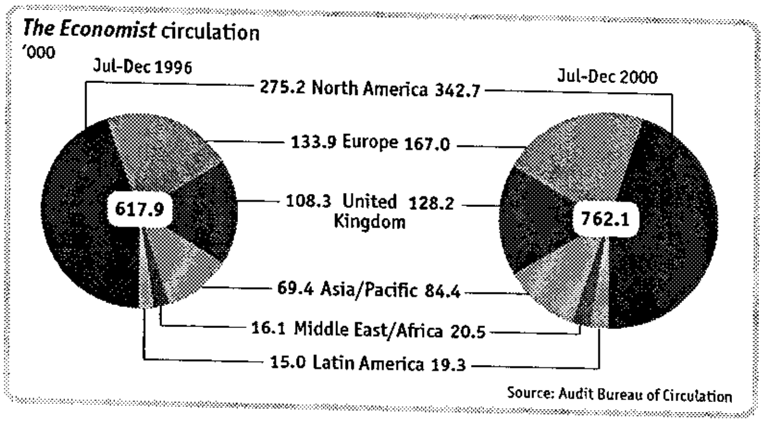
In order to provide a better service to our customers, we transferred our subscriptions fulfilment in Europe and Asia to QSS (Quadrant Subscription Services). This was an important move. We are confident that the service we provide is now much improved.

This year also saw the start of an effort to grow our circulation even faster within our biggest markets, notably the United States and Europe. We have developed many new initiatives which are beginning to have a significant









positive effect. In North America, average circulation for the financial year to March 31st reached 341,000, and advertisement revenue sold into the North American edition was up 23% on the previous year. In the UK, average circulation was 128,000, and advertising revenue sold into the UK edition was up by 44%. On the continent of Europe, volume increased by 7% on last year to an average of 166,000 each week, with circulation in France and Ireland growing over 16%. Advertising was up 23%, driven mainly by France and Scandinavia. In Asia, circulation averaged 85,000, with advertising up 33%.

In the past, our research indicated that our readers were comfortable with the paper's design and did not feel the need for any change. However, more recent studies revealed a growing demand for better navigation, and a more modern and more approachable appearance. In response, *The Economist* has been redesigned for the first time in 14 years. Technology now exists which allows us to print in a magazine format, use colour throughout and still maintain our newspaper deadlines. Our print sites have been converted digitally to a computer-to-plate/computer-to-film production system, and a high-speed communications network is in place. This change, launched in May 2001, only affects design. Quality editorial and well-argued opinion remain the hallmark of *The Economist*.

The redesign has been supported by a major, integrated promotion campaign, including a television advertisement screened in America and Europe. The advertisement relates the story of Nelson Mandela on Robben Island. It is narrated by Mac Maharaj, a fellow prisoner of Nelson Mandela's on the island and the man who persuaded the guards that the prisoners should be allowed to read *The Economist*. This was a brilliant way for the prisoners to receive world news, until the authorities realised that the paper was about rather more than economics.

The Economist continues to win awards across all markets for excellence in marketing and advertising, circulation and journalism, as illustrated by the following examples:

- **The ACE (Association of Circulation Executives) Awards** for International Magazine of the Year and Most Effective Sales Promotion by a Newspaper or Magazine
- **Capell's Circulation Report**
  For the 8th time, *The Economist* was one of the top ten performing magazines
- **Asian Outdoor Advertising Awards**
  3 gold awards and 5 silver certificates
- **Campaign Poster Awards**
  Silver award
- **Cannes Lions**
  Gold Poster award
- **Business Journalist of the Year**
  British Energy Award for the best public utility submission

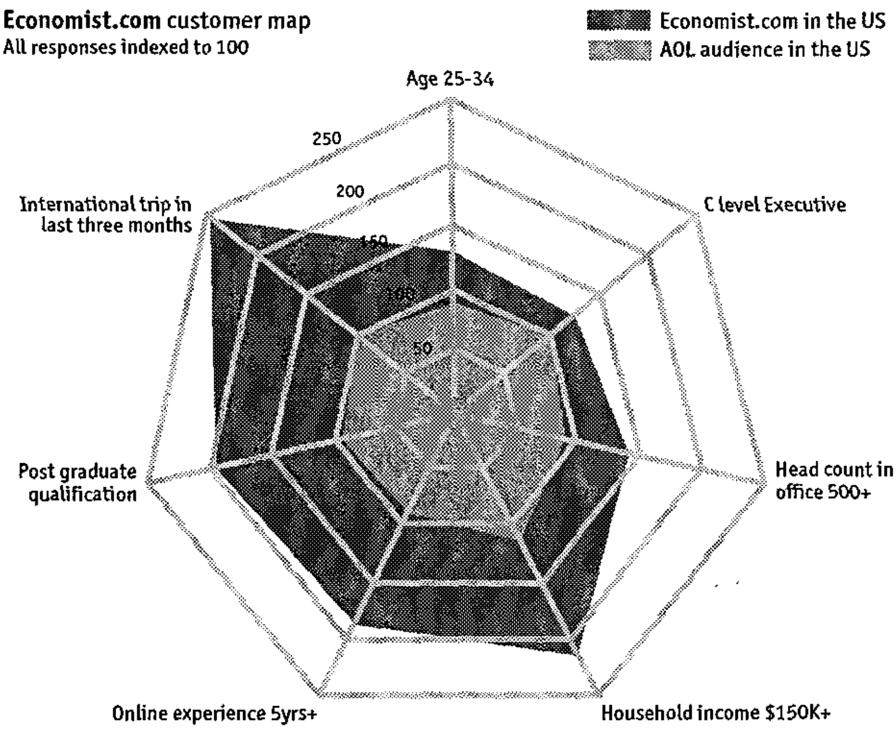
Economist.com

The newspaper was not the only part of the brand family to present a new face to the world. In October 2000 we relaunched Economist.com, which is closely linked to *The Economist*, but carries an increasing amount of content that is not to be found in the newspaper. It is targeted at the same high-end audience as the paper but seeks to meet the needs of those customers that *The Economist* only reaches occasionally. In addition to being a distinct product in itself, the site acts as an entry-point to the Group, driving traffic and commerce to other parts of the business, notably to the newspaper's online subscription centre, to the Economist Intelligence Unit's Online Store, to the web version of Economist TV and to Economist Conferences.

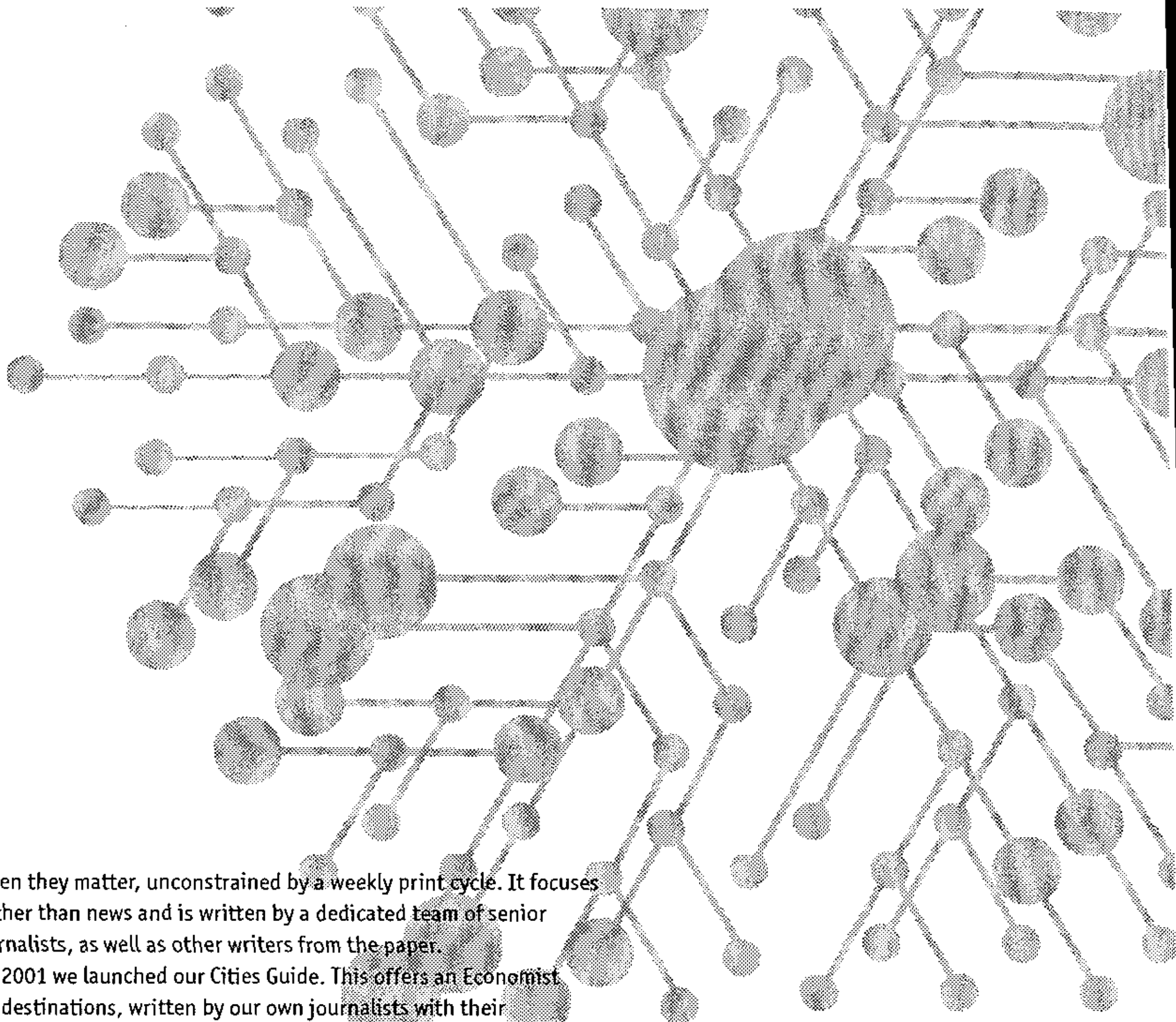
As well as providing a better experience for our readers, the new, more open design created for the relaunch has enhanced the site's attractiveness to advertisers, who now have a wider range of advertising positions and types to choose from.

In November we introduced a new service called Global Agenda. Targeted at our core audience, this presents analysis of the stories that matter to our

Economist.com customer map
All responses indexed to 100



Source: @plan, spring 2001



customers, when they matter, unconstrained by a weekly print cycle. It focuses on analysis rather than news and is written by a dedicated team of senior Economist journalists, as well as other writers from the paper.

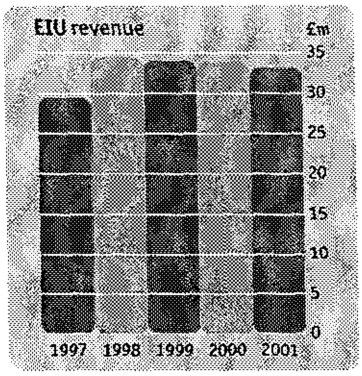
In February 2001 we launched our Cities Guide. This offers an Economist view on major destinations, written by our own journalists with their characteristic insight and wit. The guide features ten cities and more will be added over time. As well as helping business users when they travel, we are also helping them manage their career. We have developed Global Executive, a career site for senior executives, in a joint venture with Whitehead Mann. This was launched in April 2001. In May we launched Country Briefings, a joint offering (from Economist.com and the Economist Intelligence Unit) of in-depth analysis and data on 60 countries. This is intended to drive traffic to the site, but also to drive purchasers to the EIU's Online Store.

Our success in enhancing the site's attractiveness is reflected in sales and traffic figures. Revenues increased by 129% over the previous year. The growth was driven both by advertising and non-advertising sources, with the latter representing a healthy 26% of total revenues in the year. We are also well balanced geographically, with sales split almost equally between the United States and the rest of the world.

Traffic at the site doubled from 5m page views in September 2000 to 10m in March 2001, yet this did not dilute the outstanding quality of our audience. Compared with all adult users of the Internet, our audience travels more internationally, has a great propensity to consume international media, has significantly higher incomes and holds senior positions in large companies. In other words, our audience has the hallmarks of the traditional user of *The Economist*, but is on average ten years younger. We have a continuing online market research programme, which allows us to check what customers think of everything we do, and we are constantly on the lookout for new ways of getting our content to them. For instance, we have introduced a mobile edition for Personal Digital Assistants that now has more than 75,000 users.

"The well-organized site can help you get a feel for the current events in the places you're planning to visit."
TipWorld.com

Economist Intelligence Unit



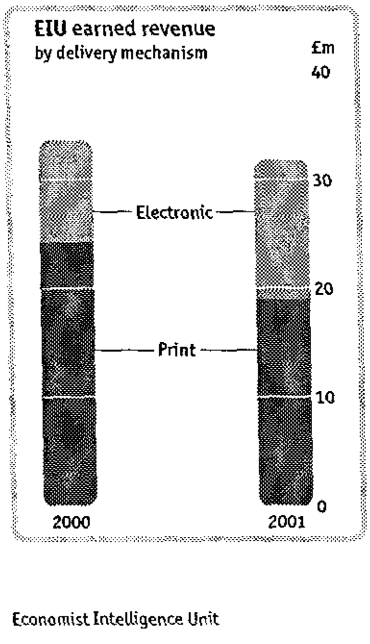
The Economist Intelligence Unit is well on its way to becoming a fully electronic business. There are now 1.2m authorised users of EIU web services worldwide, the majority of whom are senior corporate executives. Having grown by over 50% during the year, electronic revenues account for over 40% of turnover, a proportion that will continue to rise.

The investment needed to support this strategic shift reduced earnings, but the business still beat its plan. Changes in the telecommunications market led to a restructuring at Pyramid, which has reduced its cost base and its dependence on more risky consultancy revenues.

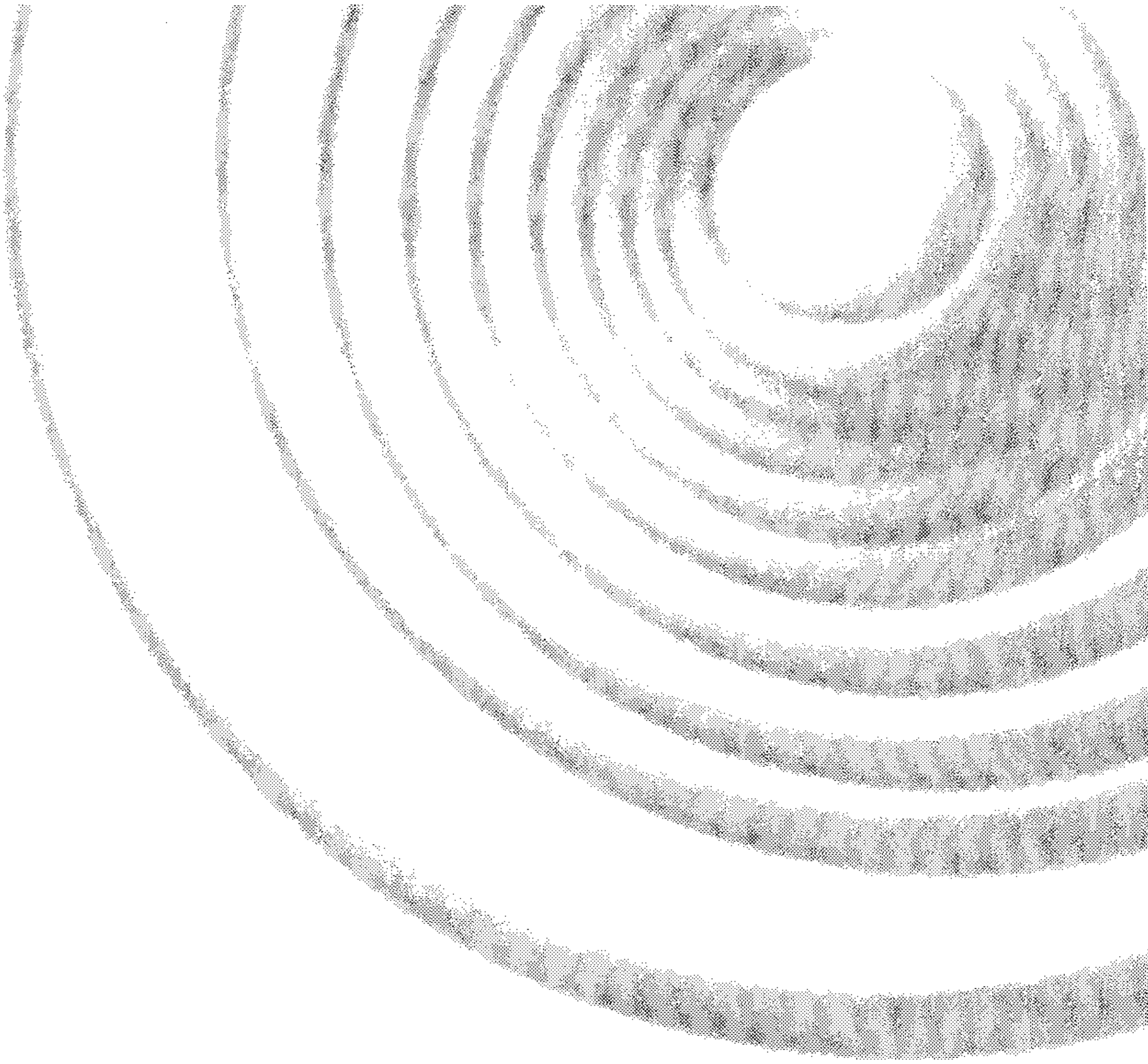
Customers expect constant innovation from companies using the web as a medium, and the EIU responded to this message. A redesign of the successful Online Store, a pay-as-you-go service offering access to all Economist Intelligence Unit products, brought more business through its electronic doors. Revenues from the Store trebled and are due to grow further with the launch of an integrated service in association with Economist.com. Extracts of EIU analysis on 60 countries are now carried in the new Country Briefings area of Economist.com, from where visitors can click through to the Store to buy the full report.

ViewsWire, the EIU's daily analysis service, was completely overhauled this year too. Each of the 190 countries it covers now has its own home page, the number of articles posted each day has doubled and customers can set up their own personal alert service. Not only has the coverage increased, but the timeliness of country analysis has also been enhanced. Core forecasts and risk assessments are now updated monthly rather than quarterly, and they are supplemented by daily, events-driven analysis delivered electronically. The change impressed customers and gave our growing international sales force a valuable competitive advantage.

In addition to these initiatives, we launched several new, web-based intelligence tools. CountryIndicators provides managers with easy-to-compare



" The Economist Intelligence Unit exploits the World Wide Web's geography-busting power to launch ebusinessforum.com. Insight and analysis for a global digital economy."
USA Today



market and demographic data on 60 countries, and CityData delivers price information on 123 cities worldwide. CountryData, the flagship data service, added forecast summaries, more frequent updates and new monthly data series in response to customer demand. In March we launched Country Risk Alert, an e-mail service for clients who want speedy analysis of fast-changing risks between the regular monthly reports. Ebusinessforum.com, our site on global e-business, attracted glowing reviews on its launch and a loyal following of executives in multinational firms who are managing e-transformation in their own organisations.

These and other services from the Economist Intelligence Unit have become a key part of the web-based information networks that global organisations are establishing. Typical is a US bank with worldwide operations that has networked the ViewsWire daily analysis service to 75,000 of its executives. Through our service, they can keep up-to-date with political and economic developments that affect their businesses and search for key data on a country that otherwise would need to be obtained from a central library or information centre. Executives thus save time by having direct access to what was once the preserve of librarians, and the information centre is freed to concentrate on more complex research activities.

Golden Guru *The Independent*'s annual review of predictions found newcomers on top.

"The economics team at HSBC is a newcomer to the top ranks of the league table, as is the second-placed Economist Intelligence Unit."

The Independent

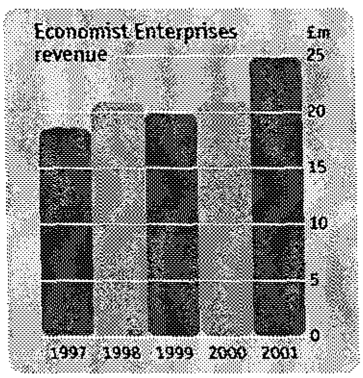
Economist Enterprises

The most recent member of the brand family, Economist Enterprises, encompasses all other products and services that carry the master brand, and has a specific brief to develop new offerings for our global audience. The new branding system for the use of the Economist name introduces this logo on to most of Enterprises' businesses and makes explicit the responsibility for quality control that goes with it.

Following a strategic review of the Enterprises portfolio, we are currently in discussion to sell Redhouse Press, the Group's printing company. Redhouse has provided an excellent service to the Group over the years, but printing is not a core activity, and we have not gained the level of work from outside customers that would make the business sufficiently profitable. The service and the business can be better handled by a company that concentrates on the print market.

In its first year, Enterprises' overall revenue rose 19% on the back of strong advertising and sponsorship markets. Its biggest business, Economist Conferences, moved fast to take advantage of interest in e-business, running several blockbuster events in Europe and the United States early in the year. Thanks in part to these, turnover in the conference business soared 31%. Revenues from both sponsors and delegates were at record levels. Overall, we ran more than 80 conferences and even more peer group meetings. Peer groups, now known as the Economist Corporate Network, continued to grow both in reputation and membership and the Asian business celebrated its 20th anniversary. These face-to-face services strengthen the position of the brand amongst our target audience in a way that complements our print and electronic products.

The other existing businesses of The Economist Shop, diaries, reader services and *The World in* maintained their position in the market place. Advertisement sales for *The World in* were especially strong, rising 31% year on year.



"The past year saw many dramatic developments on the world economic scene. And there is little doubt that 2001 will see even more in the way of global economic change. The likely course of the global economy in the coming months will be the focus of a Nightly Business Report special, The World in 2001: An Economic View."
nbr.com

"Le respectable <<The Economist>> se lance dans l'image"
Le Monde

The syndication team improved revenue by 23%, while at the same time promoting the brand globally. Its success involved doing small things (such as reprint sales) well and big things (such as large print contracts) even better. The business also made more money by selling content to websites and has ambitious plans to do more in the electronic arena.

The launch of Economist TV, our new television and broadband initiative, and its first programming under the name E Vision, generated considerable attention both internally and in the media. E Vision is a monthly, half-hour programme on business, finance and international affairs, and is currently available on 14 airlines. The TV team also created www.economist.tv, a video-streaming website that repackages the E Vision programming for the Internet and will allow us to profit from the spread of broadband technology. By taking the group into a new medium, Economist TV broadens the range of channels through which we can reach our audience and further reinforces our commitment to an independent and intelligent analysis of global trends.

The CFO brand family

The *CFO* Honours

This year *CFO magazine* won more awards from the **American Society of Business Press Editors** than any other magazine, including:

- **Golden Award** for New Deals Section
- **Silver Award** for Feature Article
- **Bronze Award** for *eCFO*

Graphics honours include

- **Folio's Ozzie Award**, Best overall Design
- **Society of Publication Designers**, Honorable Mention for Best Use of Photography
- **ASBPE Gold Awards** efor January and April covers

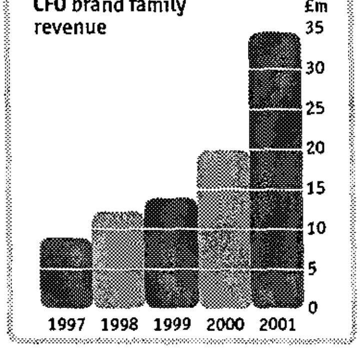
B-to-B Magazine included *CFO* in its US B-to-B Media Power 50 list.

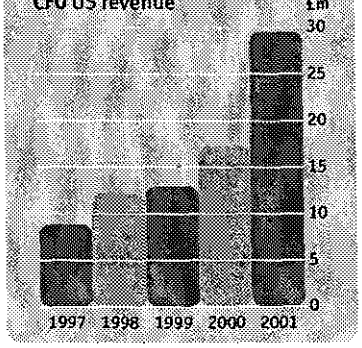
The CFO brand family made huge gains in the past year, with revenues increasing 74% to £34.6m. Taking advantage of the burgeoning spending by Internet companies, CFO launched *eCFO*, a quarterly magazine covering e-business and e-commerce from the perspective of the finance executive. The magazine was distributed in the United States, Europe and Asia to all *CFO* subscribers, and attracted advertising from established technology providers as well as recently launched dotcoms.

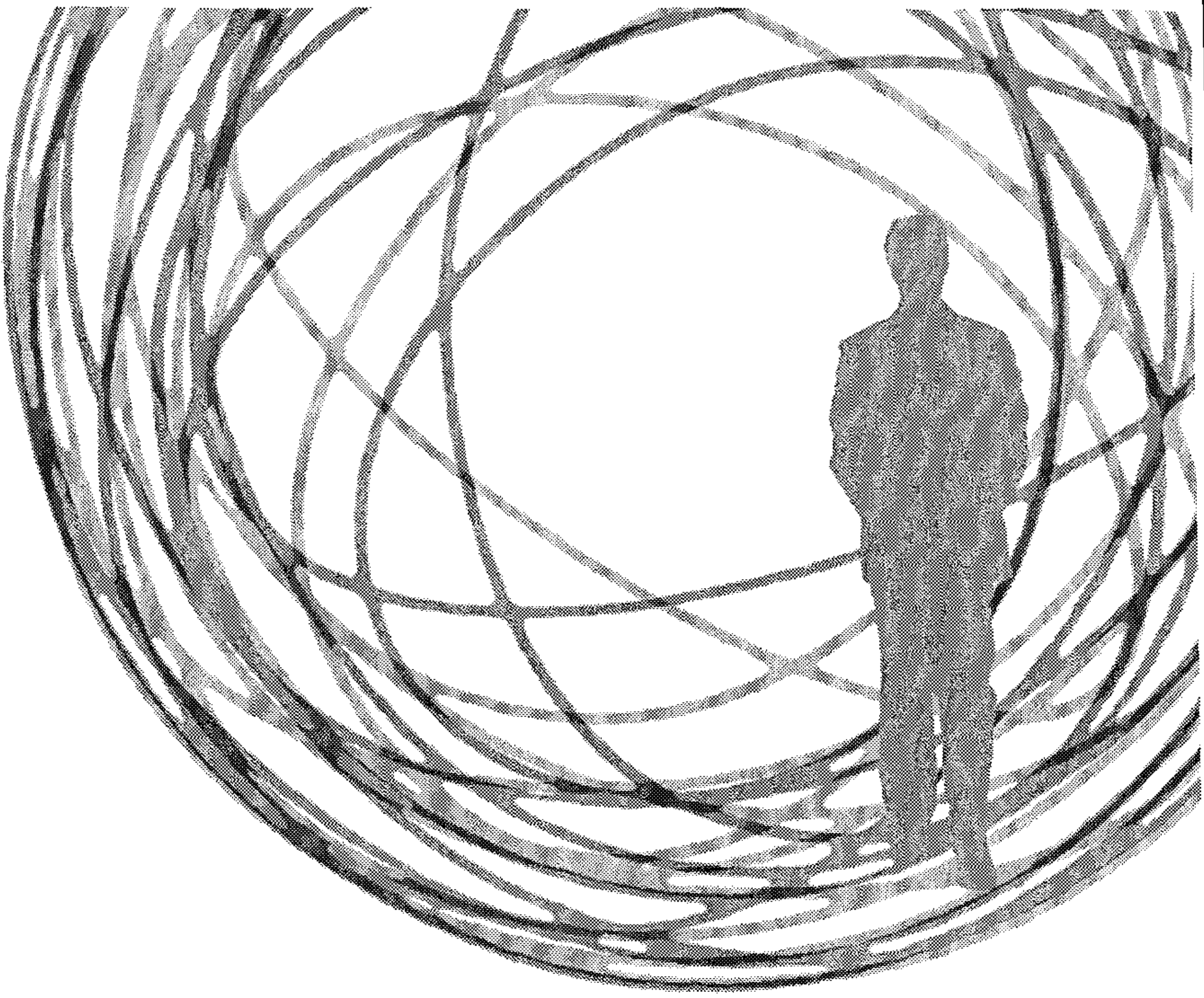
Another significant growth area was global advertising pages, which increased by over 50% to £1.9m and now account for 7% of total advertising revenues. One of the competitive advantages that *CFO* shares with *The Economist* is the ability to coordinate and leverage its sales efforts on a global basis. Thus, in addition to selling pages into its own regional edition, each *CFO* sales team also sells pages into other editions, so that each edition has, in effect, a global sales force.

CFO Enterprises, the family's conferencing and events division, also had considerable success, increasing the number of events from 11 to 18. In addition to the regular programme of Best Practices seminars, the team produced a series of eCFO conferences globally and, partly due to the success of these events, saw annual revenues increase by 90% to £4m.

In the US, *CFO* magazine and Enterprises increased total revenues by 71% to £29.5 m. This followed a 33% increase the previous year. A sales office was opened in Irving, Texas, in addition to existing offices in New York, Boston, Chicago and San Francisco. *CFO* articles continue to shape not only the thinking of finance executives, but also the agenda of regulatory bodies and government departments. In a recent speech on fraud, Lynn Turner, chief accountant of the US Securities & Exchange Commission, said: "CFOs need to remember the lesson in the article in *CFO* magazine titled 'Jailhouse Shock'. That article listed 22 CFOs who were serving time or awaiting sentencing." The



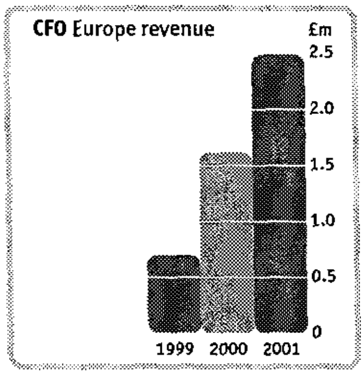


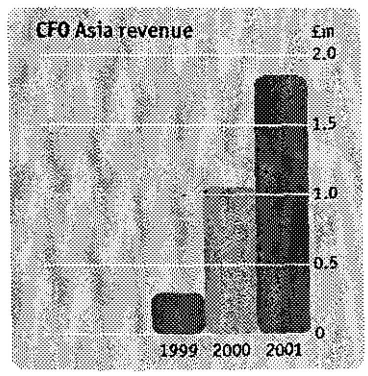


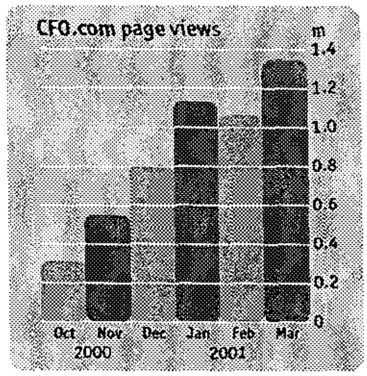
"*CFO Europe* reports on how the drug money is finding its way to the bottom line. Although drug trafficking is a global problem and money-laundering can take many shapes and forms, *CFO Europe* argues that US companies are at greater risk from the Colombian Black Market Peso Exchange."
Accounting and Business

US Justice Department distributed 'The Corporate Connection', an investigation into money laundering, to its high-level executives. And in the recent debate about pooling-of-interest accounting, both sides cited 'The Party's Over' in submissions to the Senate Finance Committee to support their respective case, a tribute to *CFO*'s balanced coverage of the issue.

CFO Europe increased revenues by 54% to £2.5m and finished the year with a positive contribution to profits, thereby achieving break-even in its third year.





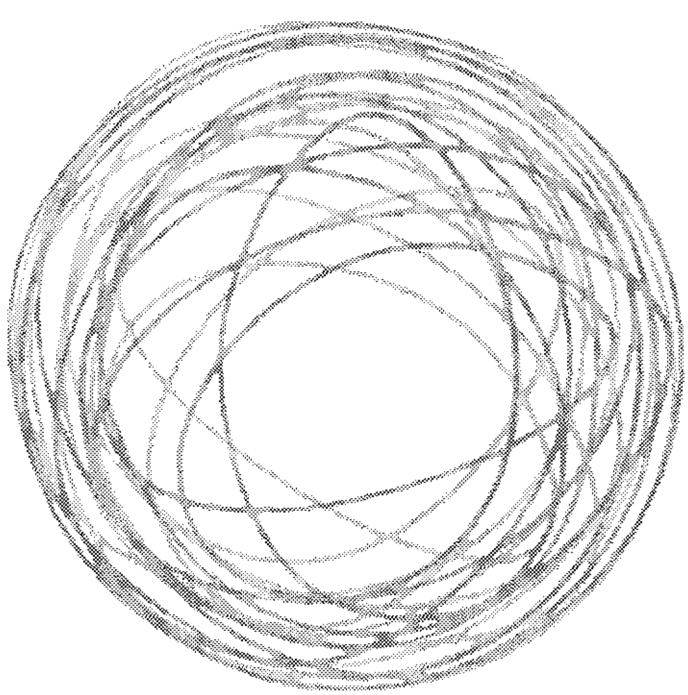


The magazine's first subscriber study underlined the extremely influential nature of its readers: the average subscriber works in a company with 5,000+ employees and a turnover in excess of $4.6bn.

CFO Asia posted a 75% increase in revenue to £1.8m and an improvement in contribution. We plan to take the title into profit during the current financial year. Circulation growth has been impressive, and *CFO Asia* is on track to double its launch circulation to 24,000 this summer. In addition, plans are well advanced to launch a Chinese-language supplement in September.

CFO.com was launched on schedule and under budget in October 2000. The site aims to provide finance executives with the tools and information they need to perform their job more effectively. Alongside daily news content produced by staff writers and sourced from news feeds, CFO.com offers a wide variety of practical resources: benchmarking tools, databases, scorecards and a career centre that provides access to job listings, personalized search agents and career management advice.

In the six months following its launch, CFO.com has established itself as a leading web resource for finance executives. In that period, the site has increased traffic by 150%, signed up 45,000 registered users and generated 65,000 e-mail newsletter subscriptions. Several exciting new features are scheduled for release over the next few months, including a proprietary benchmarking engine, a community channel and a rollout to Europe and Asia.



"China Mobile (Hong Kong) (0941) was ranked as the top wealth creator in Southeast Asia last year while New World Development (0017) was named the second biggest wealth destroyer, according to an annual survey by *CFO Asia* magazine."
Hong Kong iMail,

Other titles

Roll Call's revenues finished 20% up on the previous year and 33% ahead of plan at £7.9m. Traditionally, election years produce a slowdown in the advocacy advertising on which *Roll Call* depends. Last year, however, legislators defied precedent by staying in Washington for much of the autumn instead of returning to their constituencies, and as a result *Roll Call*'s revenues far exceeded expectations.

Independent research further underlined *Roll Call*'s status as the publication of record for Capitol Hill. An Erdos & Morgan survey found that the publication was read by over 87% of all opinion leaders, a penetration exceeded only by that of the *Washington Post*. This status ensures that *Roll Call*'s editors are highly visible in other media. Columnist Morton Kondracke has for many years co-hosted Fox News Channel's popular *Beltway Boys* show. In addition, Ed Henry now delivers a daily commentary each morning on the "Imus in the Morning" radio programme, and Tim Curran presents an early-morning show on C-Span twice weekly.

Roll Call is actively using its website to expand its classified advertising base. In January 2001, it launched a new career site, www.rcjobs.com., that allows job-seekers to search postings and employers to browse résumés.

For *European Voice*, *Roll Call*'s transatlantic counterpart, it was a year of transition, as several of the original management team left. With a new team in place–including a couple of *Roll Call* alumni–the publication is set to move into profit in the year ahead.

Public Network Europe benefited from a buoyant telecommunications sector, recording its highest ever revenue numbers and posting a positive contribution.

In spite of a market that softened noticeably in the second half, *Business Central Europe* succeeded in increasing revenue, and it, too, also finished the year with a positive contribution.

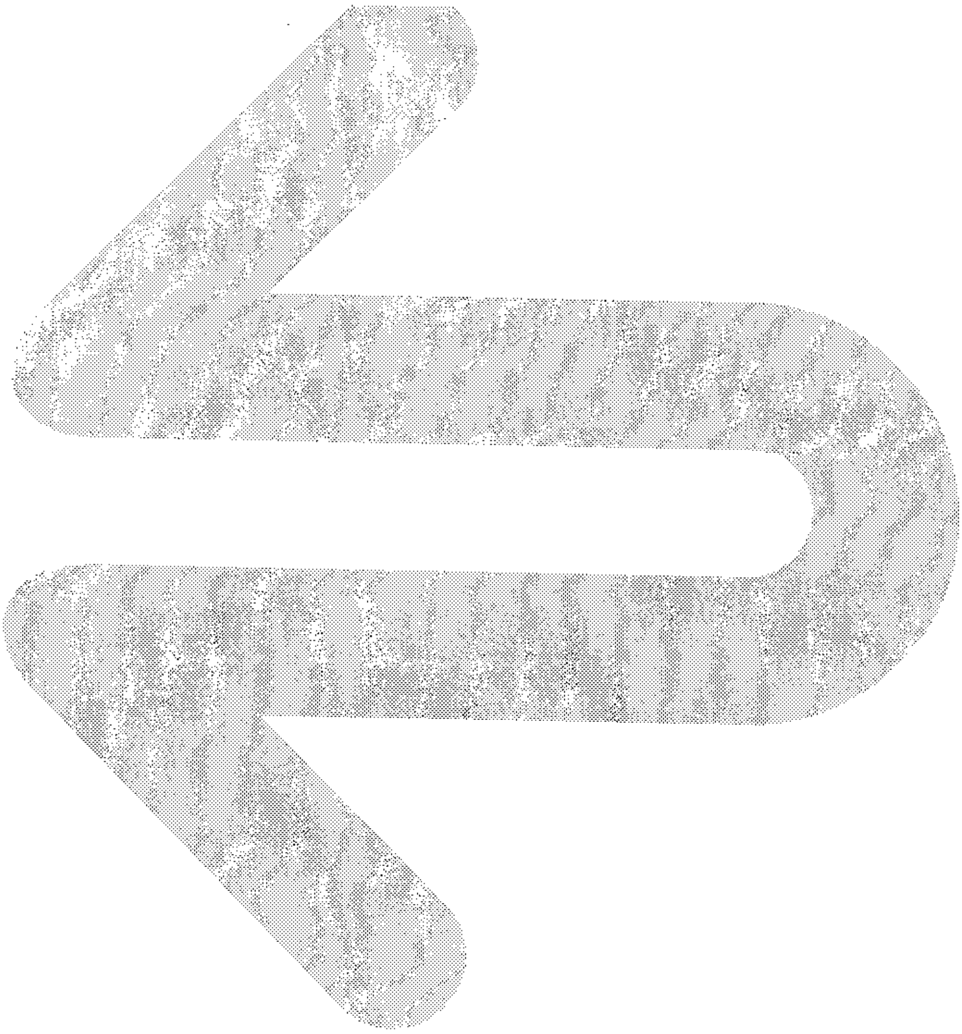
"News of Mr Dove's dismissal was broken today by *Roll Call*, a newspaper that covers Congress. The leadership assistant confirmed the newspaper's account that Mr Sisco, acting on Mr Lott's instructions, called Mr Dove last Thursday, after his ruling on the question of money for natural disasters, and told him he would be discharged."
The New York Times

The JOC Group

JOC Week: Winner of the 2001 Media leadership award presented in May by the National Cargo Security Council

The Journal of Commerce Group improved its year-on-year performance while continuing to make the changes necessary in the market. The company moved out of Manhattan and is also moving from Phillipsburg, New Jersey, so that everyone can be together under one roof in Newark, New Jersey. This has reduced costs and increased efficiency. In addition, the JOC Group has changed its new media plans, so that more content will be paid for and bought in a package with *JOC Week* magazine. The conference business has been reduced in size and streamlined to ensure its profitability by concentrating on a smaller number of events.

Following the launch of the magazine *JOC Week* in June last year, the title has made inroads in the market, steadily building its revenue base of advertising and paid circulation. It provides senior logistics executives with more analytical content, case studies and news features on all modes of transportation.

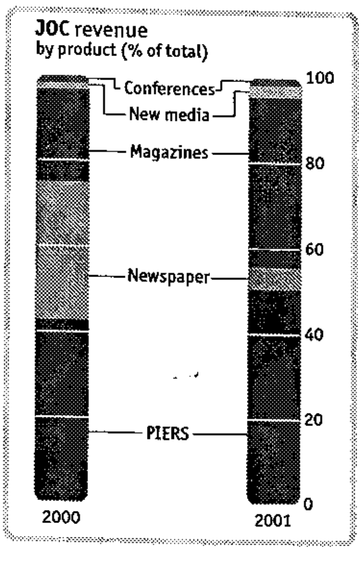


JOC Online was relaunched when we introduced the new magazine. It delivers branded breaking-news features throughout the day. At the end of each day an e-mail newsletter provides concise headlines with a link back to the complete articles on the main website. Registration for this e-mail headline newsletter has grown from 5,000 to 18,500, and monthly average page views for the website have doubled to 1.1m since June 2000.

PIERS, the import and export database business, moved its industry-leading global trade information to the web. Customers can access data faster, can create more customised reports and can also increase the functionality with new features such as e-mail alerts. All PIERS services will soon be available on the web, including seven Latin American databases and maritime research reports.

In response to customer demand, PIERS introduced a pre-arrival database on US imports, providing intelligence on inbound shipments to America up to two weeks before the goods reach port. Export data was enhanced with the addition of tracking numbers for containers and bills of lading, making it even more useful.

Air Cargo World, the leading publication covering air cargo transportation issues, is published monthly in the United States, and six times a year internationally. With the growth in global air commerce and the publication's success in reaching more international advertisers, the frequency of the international edition is being increased to nine issues a year. The natural growth, in due course, would be to a monthly international edition. The Shipper Group increased its circulation this year, as did *Traffic World*.



Trustees

Sir Campbell Fraser A trustee since 1978. President of the CBI from 1982 to 1984. Former chairman of Dunlop, Scottish Television, Tandem Computers and the International Advisory Board of Wells Fargo. Consultant to Riversoft Ltd.

Lord Alexander of Weedon QC A trustee since 1990. Chancellor of Exeter University. Chairman of the Royal Shakespeare Company. A director of Total. Chairman of the Bar Council from 1985 to 1986, chairman of the Takeover Panel from 1987 to 1989, deputy chairman of the Securities and Investments Board from 1994 to 1996 and chairman of Natwest Group from 1989 to 1999.

Lord Renwick of Clifton Appointed a trustee in 1995. British ambassador to South Africa from 1987 to 1991 and to Washington from 1991 to 1995. Vice-chairman, Investment Banking, of J.P.Morgan, director of British Airways, Billiton, Fluor Corporation, Richemont, South African Breweries and Harmony Gold; chairman of Fluor Ltd.

Clayton Brendish CBE Became Deputy Chairman of CMG following CMG's merger with Admiral in June 2000. Before the merger was Executive Chairman of Admiral which he co-founded in 1979. Has been an external member of the Defence Meteorological Board and non-executive chairman of Beacon Investment Fund since 1995. Was appointed to the Independent Television Commission in February 2000, became a council member of the City University of London in July 2000 and is president-elect of the Institute of Management.

Directors

Sir Dominic Cadbury Appointed non-executive chairman of the company in 1994, having served as a non-executive director since 1990. Chairman of The Wellcome Trust, a director of EMI, Misys and also chairman of Transense Technologies. Chairman of Cadbury Schweppes from 1993 to 2000.

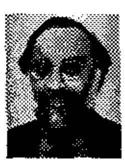
Helen Alexander Appointed as a director of the company in November 1996 and as group chief executive from January 1997. Joined the company in 1984, circulation and marketing director of *The Economist* from 1987 to 1993 and managing director of the EIU from 1993 until the end of 1996. A non-executive director of Northern Foods and BT.

George Bain A Canadian who has pursued an academic career in Britain since 1963. Principal of London Business School from 1989 to 1997 and since then president and vice-chancellor of The Queen's University of Belfast. A non-executive director of Bombardier Aerospace Short Brothers, the Canada Life Assurance Company and Electra Investment Trust. Appointed as a non-executive director of the company in 1992.

Bill Emmott Editor of *The Economist* and a director of the company since 1993. Joined the company in 1980 and was formerly business affairs editor of *The Economist*. Author of three books on Japan.

John Gardiner Appointed as a non-executive director in April 1998. Chairman of Tesco.

David Hanger Appointed as a director of the company in November 1996. Publisher of *The Economist*. Joined the company in 1968. Formerly advertising director of *The Economist*, group development director and director of specialist magazines. President of the International Advertising Association and member of the board of The Advertising Standards Board of Finance Ltd. A non-executive director of Creston.



Kiran Malik Joined the company as group finance director in July 1997. Former group finance director of Associated Newspapers and previously held several senior financial positions with Gillette.

Board and management committees

Philip Mengel Appointed as a non-executive director in July 1999. Chief executive of English Welsh & Scottish Railway Ltd. Previously chief executive of Ibstock.

Lord Stevenson of Coddenham Appointed as a non-executive director in July 1998. Chairman of Pearson and Halifax.

Peter Wood Appointed as a non-executive director in July 1998. Founder and former chairman of Direct Line and a director of the Royal Bank of Scotland Group from June 1992 to June 1997. Vice-chairman of Response Insurance and Homesite Insurance in the United States. Executive Chairman of esure.

Remuneration committee

Sir Dominic Cadbury, chairman
George Bain
Lord Stevenson of Coddenham

Audit committee

John Gardiner, chairman
Sir Dominic Cadbury
Peter Wood (until January 29th 2001)

Group management committee

Helen Alexander
Bill Emmott
David Hanger
Kiran Malik

David Bashford Group Chief Information Officer. Joined the Group in November 2000 from Walt Disney International where he was vice-president, IT Strategy and Planning, with 11 years in various IT management roles.

Matthew Batstone Appointed Group Marketing and Strategy Director in May 2001. Joined the Group in January 2001 having worked at Carlton Communications and J Walter Thompson.

Martin Giles Director, Economist Enterprises. Joined the editorial staff of *The Economist* in 1989, working in London and Paris before becoming finance editor in 1994. Appointed publisher of CFO Europe in 1998.

David Laird Director of Specialist Magazines. Joined the Group in 1978 as an advertising sales executive for *The Economist*, and worked in Frankfurt and New York before becoming the publisher of *CFO* magazine.

Judy Little Group HR director. Joined the Group in 1995 with 15 years' experience in human resources.

Nigel Ludlow Managing director of the Economist Intelligence Unit. Joined the marketing team of *The Economist* in January 1984 and subsequently became global marketing director of the EIU.

Andrew Rashbass Managing director of Economist.com and was Chief Information Officer until November 2000. Joined the Group in December 1997 from Associated Newspapers.

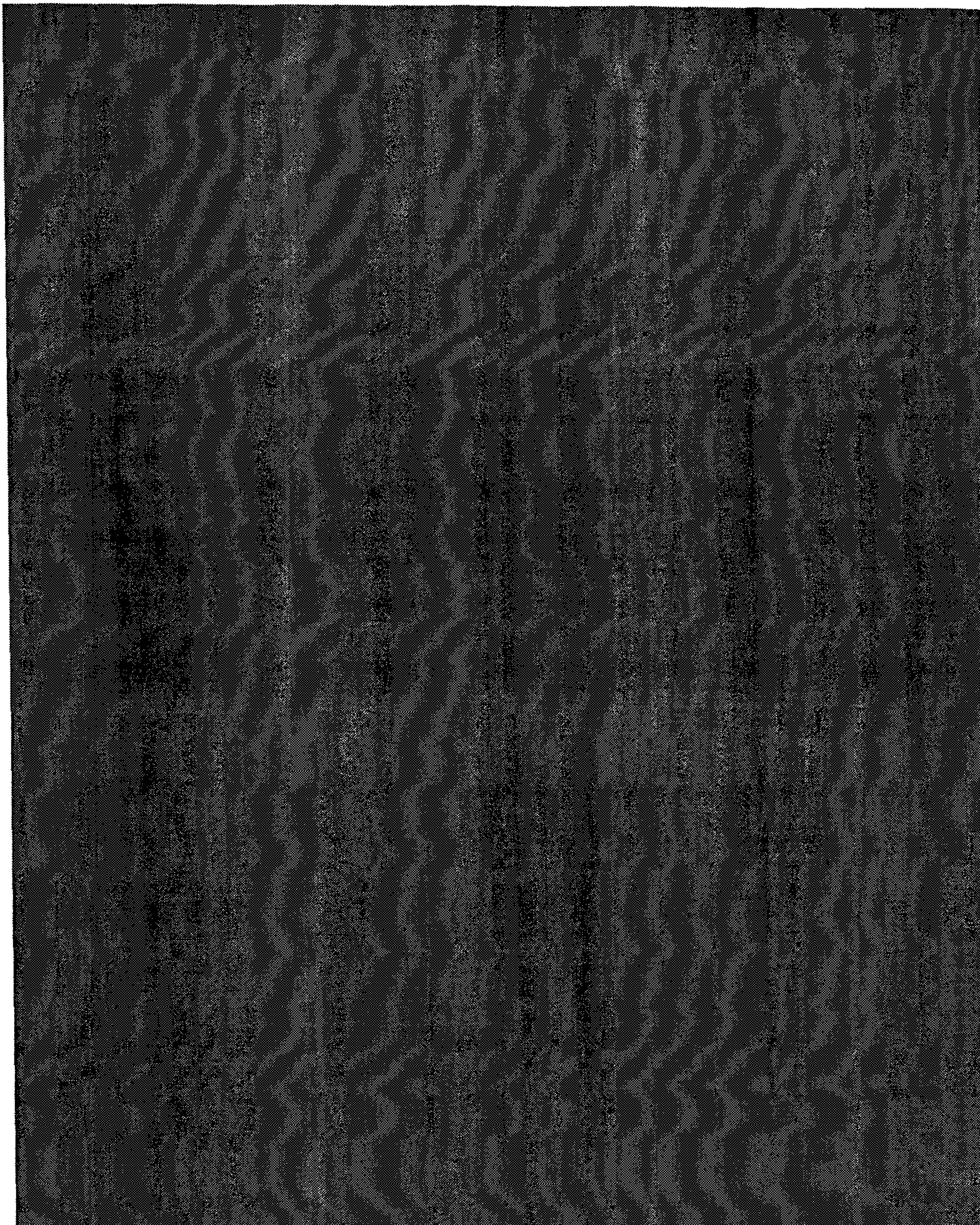
Five-year summary

Profit and loss	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m
Turnover	275	234	213	205	194
Operating profit before exceptionals	21	28	33	24	20
Profit/(loss) on ordinary activities before interest	20	(53)	32	25	28
Net interest	1	1	-	-	(1)
Profit/(loss) before taxation	21	(52)	32	25	27
Profit/(loss) after taxation	15	(63)	23	19	20

Balance sheet					
Fixed assets	38	36	36	33	36
Net current liabilities	(12)	(12)	(15)	(17)	(13)
Long-term creditors and provisions	(15)	(22)	(19)	(29)	(48)
Net assets/(liabilities)	11	2	2	(13)	(25)

Ratios	2001	2000	1999	1998	1997
Operating profit (before exceptional items) to turnover	7.8%	12.2%	15.30%	13.80%	13.20%
Earnings per share	59.1p	(251.5)p	93.4p	74.9p	79.7p
Earnings per share before exceptional items and disposals	66.5p	78.5p	95.6p	91.9p	75.1p

Dividends and cash flow					
Dividend per share	41.8p	40p	37.5p	34p	30p
Times covered (excluding exceptional items)	1.6	2.0	2.5	2.2	2.7
Net cash from operating activities (£m)	£31	£38	£28	£37	£35
Indicative share value	£20.25	£19.00	£16.25	£14.00	£10.50



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The Economist Group
Report and accounts

2001

Contents

Directors' report

The directors present their report to shareholders, together with the audited financial statements, for the year ended March 31st 2001.

Principal activities The principal activities of the Group consist of publishing, the supply of business information, conferences and the letting of property. A review of the business activities and proposed future developments is contained in the enclosed review of the year.

Results and dividends The profit after tax for the financial year to March 31st 2001 was £14.8m (2000: loss of £63.1m). A final dividend of 30p per share is proposed for the year to March 31st 2001. Together with the interim dividend already paid, this makes a total for the year of 41.8p (2000: 40p). The final dividend will be paid on July 16th 2001 to shareholders on the register at the close of business on June 15th 2001.

Significant changes in company interests There were no significant changes in the company's interests.

Property values The Directors have been advised that the market value of The Economist Complex at March 31st 2001 was £53.5m; the book value is £20.6m. Based on this information, the directors consider that the aggregate market value of all the company's properties exceeds their book value.

Transactions with related parties Details of transactions with related parties, which are to be reported under Financial Reporting Standard 8, are set out in the notes to the financial statements on page 28.

Charitable and political donations During the financial year, the Group made contributions to charities amounting to £143,900 (2000: £141,300). No contributions were made for political purposes (2000: nil).

Directors There were no changes to the board during the year. Profiles of the continuing directors are shown on pages 26-27 of the enclosed review of the year.

The board's appointment policy is that, subject to an overriding rule that directors should retire on reaching the age of 70, all non-executive directors should be appointed for an initial fixed period of three years, renewable at the invitation of the board. All current non-executive directors have agreed to be bound by this policy. In order to maintain continuity between the chairman and the company, it has been decided that the chairman's term of office should be six years, renewable at the invitation of the board.

All executive directors have contracts of employment. Helen Alexander's contract may be terminated on 24 months' notice; the contracts of the others have shorter notice periods.

Corporate information The share capital of the company is divided into ordinary shares, "A" special shares, "B" special shares and trust shares. The trust shares are held by trustees (who are described on page 26 of the enclosed review of the year), whose consent is needed for certain corporate activities. The rights attaching to the trust shares provide for the continued independence of the ownership of the company and the editorial independence of *The Economist*. Apart from these rights, they do not include the right to vote, receive dividends or have any other economic interest in the company. The appointments of the editor of *The Economist* and of the chairman of the company are subject to the approval of the trustees.

The general management of the business of the company is under the control of the board of directors. There are 13 seats allowable on the board, seven of which may be appointed by holders of the "A" special shares and six by the holders of the "B" special shares. There are currently 82 "A" special shareholders. The "B" special shares are all held by The Financial Times Limited. None of the "A" special or "B" special shares may be transferred without the prior approval of the trustees. In practice, all directors are chosen for their suitability to govern the company and protect the interests of all shareholders.

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

Corporate governance As a private company, although not bound by the Listing Rules of the Financial Services Authority to report on compliance with the Principles of Good Governance and Code of Best Practice ("the Combined Code"), the company has always sought to run its corporate affairs as if it were a publicly listed concern and therefore follows the Combined Code's recommendations as closely as is practicable and useful to shareholders. The directors' report, including the directors' report on remuneration which has been considered and approved by the board, describes how the company has applied these principles and has complied with the provisions of the Combined Code with the following exceptions:

Given the calibre and experience of the non-executive directors, the board does not believe it is appropriate to identify a senior independent director. Helen Alexander's contract has a 24-month notice period. The directors' contracts of employment do not explicitly provide for compensation commitments in the event of early termination. Some AGM procedures do not comply. The audit committee currently comprises two members. In view of the company's unique capital structure which, as explained above, gives the "A" special and "B" special shareholders the right to appoint directors by direct vote, the directors do not stand for re-election.

The board The board currently comprises six non-executive directors and four executive directors. The non-executive directors are all independent of the Group and have a breadth of successful commercial and professional experience. The board has been chaired since July 1994 by Sir Dominic Cadbury and has met for regular business six times in the twelve months to March 31st 2001. The board also convenes at other times on an ad hoc basis or in committee when events warrant. It is responsible for the overall direction and strategy of the Group and for securing the optimum performance from the Group's assets. It also exercises control by determining matters specifically reserved for it in a formal schedule which only the board may change: these matters include the acquisition of businesses at a consideration over £2m and major capital expenditure. The board has regular reviews of matters undertaken by management under delegated authority. The company's Articles of Association require the board to obtain the consent of the trustees for some actions.

Board committees The audit committee is made up of two non-executive directors, being Sir Dominic Cadbury and John Gardiner (Peter Wood having resigned from the committee on January 29th 2001), and is chaired by John Gardiner. The committee meets not less than twice a year and assists the board to ensure that the published financial statements give a true and fair view of the business and to ensure reliable internal financial information. The committee is responsible for reviewing the suitability and effectiveness of the Group's internal financial controls, the work programme and findings of both internal and external auditors and key accounting policies and judgments.

The remuneration committee is made up of three non-executive directors. It is chaired by Sir Dominic Cadbury and is responsible for remuneration policy (including policies on profit-sharing, incentive and pension schemes) and for nominations for the appointment of new directors.

Internal control The board is responsible for the company's systems of internal control and considers that the company has put in place the necessary processes to achieve compliance with the recommendations of the Turnbull Committee for the year ending March 31st 2002. However, for the year ended March 31st 2001, the board is only reporting on internal financial controls.

The internal financial control system has been designed and developed over a number of years to provide the board with reasonable but not absolute assurance that it can rely on the accuracy and reliability of the financial records, and its effectiveness has been reviewed by the board. The control system includes the following key features:

A comprehensive budgeting system exists which includes an annual business plan and forward projections approved by the board. Monthly actual results are reported against the annual business plan and revised forecasts for the year are prepared at least three times a year. The company reports to shareholders at least twice a year.

Financial policies and procedures are set out in a formal manual which is held by all senior managers and finance staff. The latter are responsible for ensuring that all relevant staff are familiar with the manual's content and application.

Formal written treasury procedures, set out in the above manual, are in operation covering banking arrangements, hedging instruments, investments of cash balances and borrowing procedures. These procedures include staff responsibilities, segregation of duties and levels of delegated authority in relation to treasury matters.

The company has an operational audit function, which reports to the finance director but also has direct access to the chairman of the audit committee. The operational auditor attends all audit committee meetings and makes formal reports to the committee.

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

Employment policies The Group recognises it is essential to keep employees informed of the progress of its business. Employees are provided with information on the Group's activities and on factors relating to the financial and economic performance of the company. The Group is committed to equality of opportunity in all employment practices and policies. No employee or potential employee will receive unfavourable treatment on the grounds of colour, race, creed, ethnic or national origin, disability, gender, marital status or sexual orientation. The Group is also committed to the continuous improvement of employees' performance and careers by developing their skills and expertise through training and development; to encourage performance it operates a number of incentive schemes, as described in the directors' report on remuneration on page 6-7.

Payment of suppliers The company aims to pay all of its suppliers within a reasonable period of their invoices being received and within any contractually agreed payment period, provided that the supplier also complies with all relevant terms and conditions. Subsidiary companies are responsible for agreeing the terms and conditions on which they trade with their suppliers. It is the company's aim to comply with best practice in this area as specified by the CBI's Better Payment Practice Code.

Changes to Articles In view of the number of shareholders, the company is outsourcing its share registration activities to Computershare Investor Services Plc. Accordingly, certain changes are being proposed to articles 14 and 17 of the company's Articles of Association. A change is also proposed in relation to Group borrowing limits as noted in the Financial Review on page 5.

Annual general meeting The notice convening the annual general meeting, to be held at 12.15 pm on Tuesday July 10th 2001 at the Institute of Directors, can be found on page 34.

Auditors A resolution to re-appoint PricewaterhouseCoopers as auditors of the company, and a further resolution to authorise the directors to fix the auditors' remuneration, will be proposed at the annual general meeting.

Directors' statement of responsibilities The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. The directors confirm that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgments and estimates have been made in the preparation of the financial statements. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors have reviewed the Group's budget for the coming year and the medium-term plans to March 2006. After taking into account the cash flow implications of the plans, and after comparing these with the Group's committed borrowing facilities and projected gearing ratios, the directors are satisfied that it is appropriate to produce the accounts on a going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and the Group, and for preventing and detecting fraud and other irregularities.

By order of the board

S J ABESSER
Secretary

June 7th 2001

Financial review

Foreign exchange Favourable exchange rates, notably the strengthening of the US dollar against sterling, contributed around £12m to the increase in turnover, but also increased our costs, including hedging costs, by £10m so giving us a net benefit before tax of about £2m. Our foreign currency net assets increased in value due to translation effects of £4.5m, driven by a £5.3m gain on our dollar cash balances.

Operating costs Turnover increased 18% including the favourable exchange impacts noted above. Gross profit margins fell by 1%. Distribution costs grew by an underlying 13.5% excluding a reduction due to the move from the daily Journal of Commerce newspaper to the weekly. The costs in these categories include adverse foreign exchange impacts of £4m. Marketing, development and other administrative costs rose £25m excluding foreign exchange impacts of £6m. Costs in this category include our investment in dotcoms, significantly increased promotion of our main brands, creation of the new Enterprises division, and continued strengthening of the shared service infrastructure to support our growing businesses.

Cashflow Positive cashflow after tax and dividends but before exchange differences of £4.5m (£9.8m including exchange effect) was a very good result in a year of substantial investment. Sound working capital management meant that we were able to convert £14.8m of post-tax profit into an equivalent amount of cash.

Gearing Group borrowings were halved during the year from £12m to £6m and our net cash balance rose to £41.6m from £31.8m last year. Of this total, £1.2m represents the value of shares held within the company's Employee Share Ownership Plan which qualify as current asset investments.

Borrowing limits Limits on Group borrowings are imposed both by the banks with which we deal and also by our Articles of Association. The limits in the Articles are based on net assets adjusted for goodwill written-off, however, most of the Group's net assets are intangible assets built by ourselves. This means that the limits in the Articles may bear little relationship to the real borrowing capacity of the Group. A resolution is being proposed at the AGM to additionally link the borrowing limits to the type of restriction that is used by the lenders to the business. This will mean linking these limits to earnings before interest, tax, depreciation and amortisation (EBITDA).

Dividends The company continued to increase both its interim and final dividends during the year. The interim dividend rose from 11.3p per share to 11.8p per share. The board has recommended a final dividend of 30p per share, compared with 28.7p last year. The dividend is covered 1.6 times before exceptional items. After adjusting for our investment in dotcom businesses, cover is 2.2 times. The dividend yield on the basis of the latest share valuation of £20.25 is 2.1%.

Taxation The tax rate this year at 30% is slightly lower than the underlying rate last year of 33% due to the geographic mix of profits. The Group continues to benefit from tax relief in the United States on the amortisation of goodwill arising from past acquisitions, particularly the Journal of Commerce.

Systems During the year, our new finance system was rolled out to other international offices as planned. We have also devoted much effort towards improving our procedures so that we can maximise the benefits from our new systems. Considerable progress has been made, but we continue to set ourselves challenging targets and we look forward to further improvements in the coming year.

Kiran Malik

Directors' report on remuneration

The committee The remuneration committee of the board is made up of three non-executive directors, Sir Dominic Cadbury, Lord Stevenson and George Bain. The quorum necessary for the transaction of business is two members. The committee is responsible for the remuneration policy for senior executives of the Group, the policy and structure of incentive schemes, guidelines for pension programmes and for nominations for the appointment of new directors. In determining remuneration, the committee follows a policy designed to attract, retain and motivate high-calibre executives, aligned with the interests of shareholders.

Profit-sharing and incentive plans The Group operated five separate profit-sharing and bonus plans during the year, providing performance-based incentives for executive directors and employees.

(i) The Group's profit-sharing plan covered all permanent employees unless they were excluded by their participation in a separate scheme. All eligible employees received a share of the Group's profit before tax, distributed in proportion to salary.

(ii) Eligible employees also received incentive payments from business unit plans in which rewards were linked, either singly or in combination, to improvements in key areas of the business or achievement of objectives which they could influence directly.

(iii) Performance units equivalent to the value of ordinary shares were awarded under the long-term incentive plan to certain selected senior employees, including executive directors, who participate at the discretion of the remuneration committee. After three years, participants will receive a payment reflecting the total shareholder return on the company's ordinary shares over the period. The scheme provides that no payments will be made unless the Group's performance at least equals the average performance of a list of selected comparable international media companies. The amount of the release will depend on the extent to which performance exceeds this average.

Directors' interests

The interests of the directors in the share capital of the company, as recorded in the register of directors' interests at the year-end and including holdings in the name of a spouse, are shown in the following table:

	2001		2000	
Beneficial holdings	"A" Special	Ordinary	"A" Special	Ordinary
Sir Dominic Cadbury	-	2,030	-	2,030
Helen Alexander	25,785	-	25,785	-
Bill Emmott	25,780	-	25,780	-
David Hanger	25,780	3,000	25,780	3,000
Kiran Malik	1,000	2,500	1,000	2,500
George Bain	-	1,000	-	1,000
John Gardiner	-	1,000	-	1,000
Peter Wood	-	1,000	-	1,000
Philip Mengel	-	1,000	-	1,000
Lord Stevenson	-	1,000	-	1,000
Holding as trustee				
Sir Dominic Cadbury	5,600	50,360	5,600	50,360

No other director had shareholdings in the company. Sir Dominic Cadbury is also a director of a family company which holds 134,000 ordinary shares, in which he has no beneficial interest.

(iv) The senior executive bonus scheme covered the executive directors and certain senior executives, who participated at the discretion of the remuneration committee. It provided for (a) annual payments equivalent to a percentage of basic salary according to the amount (if any) by which the earnings per share of the company exceeded the higher of the earnings per share over the two preceding years, subject to achieving a minimum threshold of compound growth equivalent to inflation, and (b) annual payments linked to the achievement of objectives for the participants' own business areas. Prior to the amount of such cash payments being determined, the participants were given the option to request that they take part of their award in the form of additional performance units under the long-term incentive plan. Participants who received such units were awarded one extra performance unit under the long-term incentive plan for every three notional shares awarded under the senior executive bonus scheme. The remuneration committee has exercised its discretion and removed those performance hurdles which conflicted with Group strategy.

(v) In addition to the above schemes, some employees have uncashed participation units in the shadow share scheme (which has been discontinued and replaced by the long-term incentive plan). The units were awarded to executive directors and senior managers at the discretion of the remuneration committee, could be encashed partially after a minimum of three years and must be encashed after six years. At encashment, the participant receives a cash payment reflecting whatever increase in the value of the company's ordinary shares has occurred since the date of the initial award, provided that earnings per share have increased by at least 10% per year compound during the period. The remuneration committee has exercised its discretion under the scheme's rules to set aside the performance hurdle for the remaining uncashed participation units. Participation units in the shadow share scheme will remain in being, unless the participants choose to encash them earlier, until 2004.

Directors' remuneration

The remuneration and benefits of all directors who served for all or part of the year ended March 31st 2001 (and paid for the period during which he or she was a director) are shown in the following table. Non-executive directors do not participate in any bonus scheme or the long-term incentive plan or any of the company's pension plans. The table does not include any uncashed or future entitlements under either the shadow share scheme, the long-term incentive plan or the senior executive bonus scheme, which are shown in other tables.

	Salary/Fees		Bonus		Shadow shares encashment		Benefits		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Helen Alexander	250	215	71	-	85	-	19	20	425	235
Bill Emmott	205	186	72	14	-	369	16	17	293	586
David Hanger	170	150	58	12	85	-	14	14	327	176
Kiran Malik	180	155	62	12	58	-	11	12	311	179
Sir Dominic Cadbury	55	37	-	-	-	-	-	-	55	37
George Bain	22	18	-	-	-	-	-	-	22	18
John Gardiner	27	18	-	-	-	-	-	-	27	18
Philip Mengel	22	13	-	-	-	-	-	-	22	13
Lord Stevenson	22	18	-	-	-	-	-	-	22	18
Peter Wood	22	18	-	-	-	-	-	-	22	18

Included within the bonuses above for 2001 are the following bonuses paid in respect of 2000, which were additional to the provisional amounts included in the financial statements for that year: Helen Alexander £38,000; Bill Emmott £23,000; David Hanger £18,000; Kiran Malik £8,000.

Directors' accrued pensions

The pensions which would be paid annually on retirement at age 60 based on service with the company to March 31st 2001 are shown below. The table does not include any additional voluntary contributions or any resulting benefits.

	Age	Accrued pension	Accrued pension	Increase
	at March 31st 2001	at March 31st 2001	at March 31st 2000	
Helen Alexander	44	£71,514	£57,589	£13,925
Bill Emmott	44	£76,682	£65,796	£10,886
David Hanger	56	£99,088	£84,598	£14,490
Kiran Malik	50	£11,805	£7,619	£4,186

Under The Economist Group UK Pension Scheme, which all permanent UK employees are eligible to join, the executive directors are entitled to pensions which are the greater of defined contributions or defined benefits based on 1/56 of final base salary for each year of pensionable service at normal retirement age of 60. Under the scheme they are eligible for dependants' pensions and life insurance benefits. Until June 1999 the provision of the cost of benefits accruing was matched by amortisation of the surplus under SSAP 24 rules and no company contributions were made to the fund. From July 1999 company contributions have been made at the rate of 14% of pensionable salaries.

Directors' interests in shadow shares

The executive directors hold the following uncashed shadow shares, which were granted in the following years ended March 31st.

	1996	1997	Total
Helen Alexander	5,000	30,000	35,000
Bill Emmott	5,000	-	5,000
David Hanger	5,000	10,000	15,000
Kiran Malik	-	20,000	20,000
Base value	£8.50	£10.50	

Directors' interests under the long-term incentive plan

The executive directors hold the following performance units under the long-term incentive plan. Each unit represents an investment in an ordinary share at its current valuation at the end of the year.

	2001		2000	
	Performance units	Value	Performance units	Value
Helen Alexander	22,848.61	£478,744	15,759.45	£281,485
Bill Emmott	19,397.99	£406,645	13,570.03	£242,372
David Hanger	16,008.02	£335,693	11,176.87	£199,477
Kiran Malik	15,900.69	£332,860	10,808.78	£193,220

Directors' interests in notional shares under the senior executive bonus scheme

The executive directors have been awarded the following notional shares (and corresponding performance units under the long-term incentive plan) under the senior executive bonus scheme.

	2001		2000	
	Notional shares	Value	Notional shares	Value
Helen Alexander	1,812.66	£36,706	1,232.90	£23,425
Bill Emmott	-	-	-	-
David Hanger	403.46	£8,170	394.45	£7,495
Kiran Malik	376.59	£7,626	368.18	£6,995

	2001		2000	
	Performance units	Value	Performance units	Value
Helen Alexander	604.22	£12,235	410.97	£7,808
Bill Emmott	-	-	-	-
David Hanger	134.49	£2,723	131.48	£2,498
Kiran Malik	125.53	£2,542	122.73	£2,332

Auditors' report

Auditors' report to the members of The Economist Newspaper Limited
We have audited the financial statements on pages 10-33, which have been prepared under the historic cost convention and the accounting policies set out on page 14.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the report and accounts. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the UK Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.
We also, at the request of the directors (because the company applies the Listing Rules of the Financial Services Authority as if it is a listed company), review whether the statement on pages 2-4 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

Basis of audit 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the Group'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 and the group at March 31st 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6RH
June 7th 2001

Consolidated profit and loss account

NOTE	years ended March 31st	2001 £000	2000 £000
1, 2	**Turnover**	**275,403**	**233,675**
	Cost of sales	(91,811)	(75,615)
	Gross operating profit	**183,592**	**158,060**
	Distribution costs	(21,851)	(20,698)
	Marketing, development and other administrative costs	(140,298)	(108,926)
	Operating profit before exceptionals	**21,443**	**28,436**
	Analysed between:		
	Operating profit before dotcom businesses	30,528	29,837
	Dotcom businesses	(9,085)	(1,401)
3	Exceptional items	(1,862)	(82,728)
	Operating profit/(loss)	**19,581**	**(54,292)**
1	Profit on sale/closure of businesses	-	1,313
	Profit/(loss) on ordinary activities before interest	**19,581**	**(52,979)**
4	Interest receivable and other income	2,783	2,138
5	Interest payable and other charges	(1,178)	(1,277)
1, 6	**Profit/(loss) on ordinary activities before taxation**	**21,186**	**(52,118)**
9	Taxation on profit/(loss) on ordinary activities	(6,356)	(10,940)
	Profit/(loss) on ordinary activities after taxation	**14,830**	**(63,058)**
10	Dividends	(10,533)	(10,080)
24	**Retained profit/(loss)**	**4,297**	**(73,138)**
11	**Basic and diluted earnings/(loss) per share (pence)**	**59.1**	**(251.5)**
11	Earnings per share (pence) before exceptional items and disposal	66.5	78.5
10	Dividends per share (pence)	41.8	40.0
	Dividend cover (times) before exceptional items and disposal	1.6	2.0

The results detailed above relate to continuing operations.

Reconciliation of movements in equity shareholders' funds

Retained profit/(loss) (from above)	4,297	(73,138)
Goodwill transferred to profit and loss account	-	72,088
Goodwill charged to profit and loss account on disposal in year	-	425
Exchange translation differences arising on consolidation	4,465	317
Net addition/(reduction) to shareholders' funds	8,762	(308)
Opening shareholders' funds	1,943	2,251
Closing shareholders' funds	10,705	1,943

Consolidated balance sheet at March 31st

NOTE		2001 £000	2000 £000
	Fixed assets		
13	Tangible assets	37,549	36,038
		37,549	**36,038**
	Current assets		
14	Stocks and work-in-progress	2,519	3,140
15	Debtors: due within one year	57,192	52,695
16	Investments	1,221	1,468
17	Cash and deposits	46,399	42,383
		107,331	**99,686**
18	Creditors: due within one year	(64,228)	(59,564)
19	Unexpired subscriptions and deferred revenue	(54,621)	(51,947)
	Net current liabilities	**(11,518)**	**(11,825)**
	Total assets less current liabilities	**26,031**	**24,213**
20	Creditors: due after one year	-	(4,548)
21	Provisions for liabilities and charges	(15,326)	(17,722)
1, 2	**Net assets**	**10,705**	**1,943**
	Capital and reserves		
22	Called up share capital	1,260	1,260
23	Profit and loss account	9,445	683
	Equity shareholders' funds	**10,705**	**1,943**

The company balance sheet is shown in note 29

June 7th 2001
Dominic Cadbury
Kiran Malik
Directors

Consolidated cash flow statement

NOTE	years ended March 31st	2001 £000	2000 £000
17	**Net cash inflow from operating activities**	**31,195**	**38,106**
	Returns on investments and servicing of finance		
	Interest received	2,875	2,165
	Interest paid	(1,178)	(1,315)
		1,697	850
	Taxation		
	UK corporation tax paid	(5,446)	(5,547)
	Overseas tax paid	(1,836)	(7,409)
	Taxation paid	(7,282)	(12,956)
	Capital expenditure and financial investment		
	Sale of tangible fixed assets	14	193
	Purchase of tangible fixed assets	(10,875)	(7,047)
		(10,861)	(6,854)
	Acquisitions and disposals		
	Sale of businesses	-	2,271
	Equity dividends		
	Amounts paid	(10,206)	(9,652)
	Cash inflow before use of liquid resources and financing	**4,543**	**11,765**
17	**Management of liquid resources**		
	Sale of current asset investments	247	529
	Cash drawn from/ (placed on) short term deposits	2,563	(6,769)
		2,810	(6,240)
17	**Financing**		
	Repayments of amounts borrowed	(6,048)	(5,200)
17	**Increase in cash**	**1,305**	**325**

Reconciliation of net cash flow to movement in net funds		
Increase in cash in the year	**1,305**	**325**
Cash(inflow)/outflow from (decrease)/increase in liquid resources	(2,810)	6,240
Cash outflow from decrease in debt and lease financing	6,048	5,200
Change in net funds resulting from cashflows	**4,543**	**11,765**
Exchange translation differences	5,274	437
Movement in net funds in the year	9,817	12,202
Net funds at April 1st	31,803	19,601
Net funds at March 31st	**41,620**	**31,803**

Statement of total recognised gains and losses

years ended March 31st

	2001 £000	2000 £000
Profit/(loss) after taxation for the financial year	14,830	(63,058)
Exchange translation differences arising on foreign currency net investments	4,465	317
Total recognised gains/losses	**19,295**	**(62,741)**

The total recognised losses of £62,741,000 for 2000 above includes £72,513,000 of goodwill write-offs included in the profit and loss account which have been added back from reserves

Note of historical cost profits and losses

As the financial statements are based on the historical cost convention, no separate statement of historical cost profits and losses is necessary

Principal accounting policies

A summary of the more important Group accounting policies, which have been applied consistently, is set out below.

Basis of accounting The financial statements are based on the historical cost convention and in accordance with applicable accounting standards.

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

Basis of consolidation The consolidated accounts include the accounts of all subsidiary undertakings made up to March 31st. As permitted by section 230 of the Companies Act 1985, the company's own profit and loss account is not presented. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are charged to the post-acquisition profit and loss account.

Foreign currencies Balance sheets have been translated into sterling at the rates of exchange ruling at the balance sheet date or, if appropriate, by reference to the rates of exchange fixed under the terms of related or matching foreign exchange contracts. Exchange differences arising on the retranslation of borrowings taken out to finance overseas investments are taken to reserves, together with any related tax effects. All other exchange differences are included in the profit and loss account. Profit and loss accounts are translated into sterling at the average rate for the year. Exchange differences arising from the retranslation of the opening net investments and results for the year to closing rates are recorded as movements on reserves.

Goodwill Prior to April 1st 1998, purchased goodwill and goodwill arising on consolidation was written-off to reserves in the year in which it arose. From April 1st 1998, the provisions of FRS 10 "Goodwill and Intangible Assets" have been adopted and such goodwill for new acquisitions is now required to be shown as an asset on the balance sheet and amortised over its useful economic life. In the three years since the introduction of the standard there has been no impact on Group results as no new goodwill has been acquired.

Where there has been an indication of impairment of goodwill, it is the Group's policy to review its carrying value. Impairments are calculated in accordance with FRS 11 "Impairment of Fixed Assets and Goodwill". In the case of goodwill previously written off directly against reserves, the impaired amounts are written back from reserves and then written off against the profit and loss.

Stocks and work-in-progress Stocks and work-in-progress are valued at the lower of cost and net realisable value. Cost includes all direct expenditure. Work-in-progress comprises third-party and editorial costs.

Operating leases Costs in respect of operating leases are charged on a straight-line basis over the lease term. Rental income is recognised on a straight-line basis over the lease term.

Investments Investments held as fixed assets are included at cost, less provisions for diminution in value. Investments held as current assets are shown at the lower of cost and market 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 or asset will crystallise.

Retirement benefits The regular pension cost of the Group's defined benefit pension schemes is charged to the profit and loss account in order to apportion the cost of pensions over the service lives of employees in the schemes. Variations arising from periodic reviews of the schemes are apportioned over the expected service lives of current employees in the schemes. The estimated cost of providing post-retirement medical benefits is charged against profits on a systematic basis over these employees' working lives within the Group.

Financial instruments policy The Group uses derivative financial instruments to manage its exposure to interest rate and foreign exchange risks. These include interest rate swaps and forward currency contracts. Amounts payable or receivable in respect of interest rate derivatives are accrued with net interest payable over the period of the contract. The Group enters into forward currency and option contracts to hedge currency exposures. Losses or realised gains 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 deferred.

Depreciation The principal depreciation methods are as follows.

Asset type	Depreciation method	Depreciation rate per year
Freehold land	Not depreciated	Nil
Freehold buildings	Straight line basis	2%
Long leasehold property	Straight line basis	Duration of lease
Short leasehold property	Straight line basis	Duration of lease
Fixtures and fittings	Straight line basis	14%
Plant and machinery	Straight line basis	10% to 33%
Equipment	Straight line basis	25% to 50%
Motor vehicles	Straight line basis	25%
Major software systems	Straight line basis from date of first use	20%

Notes to the financial statements

NOTE 1 Analysis of results by class of business

Turnover by business	2001 Total sales £000	2001 Inter-business sales £000	2001 Sales to third parties £000	2000 Total sales £000	2000 Inter-business sales £000	2000 Sales to third parties £000
The Economist brand family	202,216	(15)	202,201	173,663	(10)	173,653
CFO brand family	34,573	-	34,573	19,850	-	19,850
Other businesses	38,819	(190)	38,629	40,337	(165)	40,172
	275,608	(205)	275,403	233,850	(175)	233,675

Operating profit before exceptionals by business	2001 £000	2000 £000
The Economist brand family	17,122	23,118
CFO brand family	1,395	3,700
Other businesses	2,926	1,618
	21,443	28,436

The reconciliation of operating profit before exceptionals to profit/(loss) before taxation is on the face of the profit and loss account. The detail of exceptionals is set out in note 3.

The comparatives have been reclassified on a brand family basis.

Profit/(loss) on sale/closure of businesses	2001 £000	2000 £000
Sale of Treasury & Risk Management	-	1,609
Sale of OWR within EIU	-	150
Closure of Financial Services within EIU	-	(85)
Closure of Healthcare within EIU	-	(161)
Closure of Automotive within EIU	-	(200)
	-	1,313

The sale of Treasury & Risk Management in 2000 includes goodwill of £425,000.

Net assets/(liabilities)	2001 £000	2000 £000
The Economist brand family	73,904	63,871
CFO brand family	(14,047)	(6,761)
Other businesses	(49,152)	(55,167)
	10,705	1,943

The comparatives have been reclassified on a brand family basis.

NOTE 2 Analysis of results by geographical region

Turnover by customer location	2001 £000	2000 £000
United Kingdom	54,181	49,598
North America	139,411	114,908
Asia Pacific	24,848	22,021
Europe	50,912	42,665
Other	6,051	4,483
	275,403	233,675

	2001			2000		
	Total sales	Inter-region sales	Sales to third parties	Total sales	Inter-region sales	Sales to third parties
Turnover by origin of legal entity	£000	£000	£000	£000	£000	£000
United Kingdom	155,809	(18,269)	137,540	127,815	(17,046)	110,769
North America	127,950	-	127,950	113,230	-	113,230
Asia Pacific	10,203	(2,568)	7,635	9,950	(2,095)	7,855
Europe	2,278	-	2,278	1,821	-	1,821
	296,240	(20,837)	275,403	252,816	(19,141)	233,675

Profit/(loss) before taxation by origin of legal entity	2001 £000	2000 £000
United Kingdom	8,780	7,440
North America - excluding goodwill	4,663	8,477
North America - goodwill	-	(72,018)
Asia Pacific	(297)	(665)
Europe	8,040	4,648
	21,186	(52,118)

Net assets/(liabilities) by origin of legal entity	2001 £000	2000 £000
United Kingdom	(27,663)	(35,419)
North America	(64,979)	(55,304)
Asia Pacific	551	749
Europe	102,796	91,917
	10,705	1,943

In 2001, intercompany balances between one legal entity and another have been reflected in the net assets of that entity. In the previous years, these balances were excluded from legal entity net assets. The comparatives have been reclassified for comparability with the current year.

NOTE 3 Exceptional items

The exceptional item of £1.9m in the year to March 31st 2001 represents a charge for impairment of certain fixed assets, reduced by a credit of £0.8m taken on release of part of the prior year general balance sheet provision.

£72.1m of the £82.7m exceptional item in the year to March 31st 2000 represented the charging against profit of impairment adjustments related to goodwill previously written off against reserves. The charge was triggered by an impairment review in accordance with FRS 11 and has no effect on cash or reserves. Of the balance, £3.6m represented provisions for reorganisation costs in The Journal of Commerce, and £7m related to tightening of the accounting bases associated with the introduction of new systems.

After taking into account the above exceptional items, "Marketing, development and other administrative costs" for the year are £142.2m (2000: £191.7m).

NOTE 4 Interest receivable and other income

	2001 £000	2000 £000
On cash deposits	2,783	2,138

NOTE 5 Interest payable and other charges

	2001 £000	2000 £000
On bank overdrafts and loans repayable within five years	1,178	1,277

NOTE 6 Profit/(loss) on ordinary activities before taxation

Profit/(loss) is stated after charging the following:	2001 £000	2000 £000
Directors' emoluments: fees to non-executive directors	170	134
Executive directors: base salaries	805	706
Senior executive bonus plans	263	38
Amounts paid under the shadow share scheme	228	369
Other benefits	60	63
Total directors' emoluments	1,526	1,310
Auditors' remuneration		
Audit (company £63,300: 2000 £61,900)	218	195
Non-audit services provided by the auditors in the United Kingdom	183	297
Operating lease rentals		
Plant and equipment	818	753
Land and buildings	7,047	7,028
Depreciation		
Tangible fixed assets	9,813	6,762
Loss/(profit) on disposal of tangible assets	483	(70)

In 2001, certain costs have been classified as "Marketing, development and other administrative costs" and the prior year numbers have been reclassified on an equivalent basis

NOTE 7 Directors' emoluments

The details of directors' emoluments are on page 7 within the directors' report on remuneration.

NOTE 8 Employees

Average number of employees, including executive directors by business, was as follows:	2001 Number	2000 Number
The Economist brand family	729	659
CFO brand family	115	81
Other businesses	630	639
	1,474	1,379

The comparatives have been reclassified on a brand family basis.

Employment costs including executive directors' emoluments:	£000	£000
Wages and salaries	60,608	49,864
Employees' incentive schemes	11,350	11,060
	71,958	60,924
Social security costs	5,888	4,567
Other pension costs	4,526	3,676
	82,372	69,167

The directors' and employees' profit share and incentive schemes are described in the directors' report on remuneration.
The employees' incentive scheme costs and provisions for the long-term incentive plans, are included within marketing, development and other administrative costs.
The comparatives have been reclassified for comparability with the current year.

NOTE 9 Taxation

The taxation charge based on the results for the year is made up as follows:	2001 £000	2000 £000
UK corporation tax at 30% (2000: 30%)	4,326	6,503
Overseas taxation	1,675	3,423
UK deferred taxation	(235)	(422)
Overseas deferred taxation	188	(271)
	5,954	9,233
Adjustments in respect of previous years:		
Corporation tax	1,259	1,329
Overseas taxation	557	961
UK deferred taxation	(821)	(43)
Overseas deferred taxation	(593)	(540)
	6,356	10,940

The overseas taxation charge has continued to benefit from the allowance for tax purposes in the US for the amortisation of goodwill.

NOTE 10 Dividends

	2001 £000	2000 £000
Interim dividend of 11.8p per share (2000 : 11.3p per share)	2,974	2,848
Proposed final dividend of 30p per share (2000 : 28.7p per share)	7,559	7,232
	10,533	10,080

All shareholders other than trust shareholders (see note 22) receive the above dividend per share.

NOTE 11 Earnings/(loss) per share

	2001			2000		
	Earnings/ (loss)	Weighted average number of shares	Earnings/ (loss) per share	Earnings/ (loss)	Weighted average number of shares	Earnings/ (loss) per share
	£000	£000	pence	£000	£000	pence
Earnings per share before exceptional items (pence)	**16,692**	**25,107**	**66.5**	**19,674**	**25,070**	**78.5**
Adjustment in respect of exceptional items						
- operating exceptional items	(1,862)	25,107	(7.4)	(82,728)	25,070	(330.0)
- profit/(loss) on sale/closure of businesses	-	25,107	-	1,313	25,070	5.2
- attributable taxation	-	25,107	-	(1,317)	25,070	(5.3)
Basic and diluted earnings/(loss) per share (pence)	**14,830**	**25,107**	**59.1**	**(63,058)**	**25,070**	**(251.5)**

Basic and diluted earnings/(loss) per share are based on earnings of £14,830,000 (2000: loss of £63,058,000) and the 25,200,000 ordinary and special shares in issue (2000: 25,200,000) less those held by the employee share ownership plan (ESOP) being on average 93,000 shares (2000:130,000), resulting in a weighted average number of shares of 25,107,000 (2000: 25,070,000). Earnings per share before exceptional items and disposals are based on a profit of £16,692,000 (2000: £19,674,000) which excludes exceptional items and profit/loss on sale/closure of businesses.

NOTE 12 **Financial instruments**

As permitted under FRS 13, short-term debtors and creditors which arise directly from the Group's operations have been excluded from all the following disclosures, other than currency risk disclosures.

Interest rate and currency risk profile of financial assets at March 31st 2001 is as follows:

	Cash at bank and in hand £000	Short-term deposits £000	Other financial assets £000	Total £000
US dollar	3,530	42,850	-	46,380
Sterling	(3,693)	1,066	1,221	(1,406)
Other currencies	1,894	752	-	2,646
	1,731	44,668	1,221	47,620
Floating rate	-	44,668	-	44,668
Non interest-bearing	1,731	-	1,221	2,952
	1,731	44,668	1,221	47,620

Interest rate and currency risk profile of financial assets at March 31st 2000 is as follows:

	Cash at bank and in hand £000	Short-term deposits £000	Other financial assets £000	Total £000
US dollar	777	39,292	-	40,069
Sterling	(609)	1,012	1,468	1,871
Other currencies	230	1,681	-	1,911
	398	41,985	1,468	43,851
Floating rate	-	41,985	-	41,985
Non interest-bearing	398	-	1,468	1,866
	398	41,985	1,468	43,851

Floating rate cash and deposits earn interest based on relevant national LIBID equivalents. Other financial assets comprise shares in the employee share ownership plan (ESOP) which earn no interest. The weighted average period of maturity of cash at bank and in hand is 65 days (2000: 43 days). There is no contractual maturity period for the shares in the ESOP.

Maturity profile and interest rate risk of financial liabilities

The maturity profile of the carrying amount of the group's financial liabilities, other than short-term creditors such as trade creditors and accruals, at March 31st 2001 was as follows:

	GROUP		COMPANY	
Borrowings	2001 £000	2000 £000	2001 £000	2000 £000
Bank loans and overdrafts due within one year	6,000	7,500	16,898	11,748
Bank loans due between one and two years	-	4,548	-	4,548
	6,000	12,048	16,898	16,296

All borrowings are in sterling, are under unsecured committed borrowing facilities and bear variable rates of interest linked to sterling LIBOR.

In addition to the above, the Group's provision of £208,000 (2000: £324,000) for onerous leases (note 21) meets the definition of a financial liability. This financial liability is considered to be a floating rate financial liability as in establishing the provision the cashflows have been discounted and the discount rate reappraised twice a year. The maturity of the provision for onerous leases is that £125,000 (2000: £123,000) matures within one year, £33,000 (2000: £124,000) matures between one and two years, £21,000 (2000: £44,000) matures between two and five years, and £29,000 (2000: £33,000) matures after more than five years.

NOTE 12 Financial instruments (continued)

Borrowing facilities

The group has the following undrawn committed borrowing facilities available at March 31st 2001 in respect of which all conditions precedent have been met at that date:

	GROUP		COMPANY	
	2001 £000	2000 £000	2001 £000	2000 £000
Expiring within one year	25,198	11,918	25,198	11,918
Expiring between one and two years	-	4,870	-	4,870
	25,198	16,788	25,198	16,788

Borrowing facility arrangements are reviewed annually. All of the above committed borrowing facilities incur commitment fees at market rates.

Fair values of financial assets and liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and liabilities at March 31st 2001. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed parties.

	2001 £000 Book value	2001 £000 Fair value	2000 £000 Book value	2000 £000 Fair value
Cash at bank and in hand	1,731	1,731	398	398
Short-term deposits	44,668	44,668	41,985	41,985
Other financial assets	1,221	1,721	1,468	1,724
Borrowings	(6,000)	(6,000)	(12,048)	(12,048)
Other financial liabilities	(208)	(208)	(324)	(324)
Derivative financial instruments held as hedges	-	(1,087)	-	(395)
	41,412	40,825	31,479	31,340

The ESOP shares have been revalued at the valuation applying at March 31st to produce a fair value. The fair value of other categories approximates to the carrying value due to the short maturity periods of these financial instruments. The fair value of forward foreign currency contracts and options is based on the market price of comparable instruments at the balance sheet date.

Currency exposure

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the Group companies and the Group.

	2001 £000			2000 £000		
	Net foreign monetary assets/(liabilities)			Net foreign monetary assets/(liabilities)		
Functional currency of entity	US dollar	Other	Total	US dollar	Other	Total
Sterling	9,206	294	9,500	4,717	11,572	16,289
US dollar	-	414	414	-	259	259
Other currencies	(40)	1,062	1,022	(404)	(544)	(948)
	9,166	1,770	10,936	4,313	11,287	15,600

NOTE 12 Financial instruments (continued)

Currency hedges

The table below shows the extent to which the Group has off-balance sheet (unrecognised) gains and losses in respect of financial instruments used as currency hedges at the beginning and end of the year. It also shows the amount of such gains and losses which are expected to be included in next year's or later profit and loss accounts.

	Gains £000	Unrecognised losses £000	Net gain/(loss) £000
Gains and losses on hedges at April 1st 2000	129	(524)	(395)
Arising in previous years and included in 2000/2001 income	(129)	524	395
Gains and losses arising in 2000/2001 and excluded from income	20	(1,107)	(1,087)
Gains and losses on hedges at March 31st 2001	**20**	**(1,107)**	**(1,087)**
of which:			
Gains and losses expected to be included in 2001/2002 income	10	(920)	(910)

Treasury policy

The objective of treasury policy is to identify, monitor and manage financial risks. These risks are related principally to movements in foreign exchange and interest rates and to the management of cash balances and the risk of insolvency of counterparties. Treasury policies are agreed by the Board and implemented on a day-to-day basis by the treasury department in London. A treasury committee which includes two executive directors and which meets monthly, provides guidance and acts as a monitor of treasury activities. The treasury department acts as a cost centre and not as a profit centre.

Liquidity and refinancing risk

The Economist Group has net funds of £41.6m (2000: £31.8m). Cash is mainly held in the US in dollars and borrowings are mainly in sterling in the UK. Borrowings are made under three bank facilities available to the group. All of these facilities are short-term and expire shortly before the end of the 2001/02 financial year.

The fact that the Group has a net cash balance at present means that liquidity and refinancing risks are at a low point; however, the group is conscious of the need to ensure continuity of funding and that financing has to allow for future ambitions. Current facilities are nonetheless considered to be adequate for the group at the present time.

Currency risk

The main currency exposure of business transactions relates to US dollar income from sales in the US. The foreign exchange risk on this and other smaller currency exposures is managed by the treasury department mainly through the use of forward foreign exchange contracts.

Foreign exchange risk is only actively managed on currencies where the net exposure exceeds £1m, currency equivalent, per year. At present this includes dollars and euros. The Group's net position in euros is a short position as major printing and editorial expense is incurred in that currency.

The disposition of net cash balances between dollars and sterling is kept under constant review.

The Group does not hedge the translation of overseas profits or assets into sterling.

Counterparty risk

Counterparty limits approved by the treasury committee and notified to the Board are used to manage the risk of loss on deposits.

Interest rate risk

The treasury department monitors the Group's exposure to changes in interest rates. At present no active hedging is being undertaken.

NOTE 13 Tangible fixed assets

Group	Freehold land and buildings £000	Leasehold land and buildings Long £000	Leasehold land and buildings Short £000	Plant and machinery £000	Equipment and motor vehicles £000	Total £000
Cost						
At April 1st 2000	3,684	29,443	3,709	6,640	31,412	74,888
Additions	-	-	2,284	545	8,046	10,875
Disposals	(208)	-	(1,432)	(146)	(2,025)	(3,811)
Transfers	-	(5)	(2)	(996)	1,003	-
Exchange translation differences	453	-	497	124	1,611	2,685
At March 31st 2001	3,929	29,438	5,056	6,167	40,047	84,637
Depreciation						
At April 1st 2000	2,306	7,976	1,770	4,295	22,503	38,850
Provided during year	919	1,360	754	1,657	5,123	9,813
Disposals	(208)	-	(1,248)	(146)	(1,712)	(3,314)
Transfers	-	-	-	(615)	615	-
Exchange translation differences	321	-	196	88	1,134	1,739
At March 31st 2001	3,338	9,336	1,472	5,279	27,663	47,088
Net book value March 31st 2001	**591**	**20,102**	**3,584**	**888**	**12,384**	**37,549**
Net book value March 31st 2000	1,378	21,467	1,939	2,345	8,909	36,038

The directors have been advised that the market value of the Economist Complex at March 31st 2001 was £53.5m; the book value is £20.6m.

NOTE 14 Stocks and work-in-progress

	2001 £000	2000 £000
Raw materials	1,910	2,492
Work-in-progress	510	532
Finished goods	99	116
	2,519	3,140

Work-in-progress comprises third party and editorial costs.

NOTE 15 Debtors

Debtors: due within one year	2001 £000	2000 £000
Trade debtors	40,058	36,829
Other debtors	1,964	2,600
Prepayments and accrued income	12,465	11,745
Tax recoverable	2,705	1,521
	57,192	52,695

NOTE 16 Investments (current assets)

	2001 £000	2000 £000
Own shares	1,221	1,468

Shares in The Economist Newspaper Limited (own shares) are held by the Employee Share Ownership Plan (ESOP).

The ESOP provides a limited market for shares of The Economist Newspaper Limited to be bought and sold. Employees of the Group can buy shares from the ESOP twice a year at the latest indicative share valuation and all shareholders can sell their shares to the ESOP.

A subsidiary company, The Economist Group Trustee Company Limited ("trustee company"), acts as trustee and handles all share transactions, but does not own the shares directly. All costs of both the trustee company and the ESOP are recorded within "Marketing, development and other administrative costs" in the profit and loss account.

The shares held by the ESOP are valued in May and November each year. On March 31st 2001 the ESOP held 78,225 shares (2000:101,408) valued at the November valuation at £22 (2000:£17) each. Subsequent to the year end, the shares were valued on May 25th 2001 at £20.25. The ESOP has not waived its entitlement to dividends on these shares and none of the shares is under option to employees or has been conditionally granted to them.

NOTE 17 Notes to consolidated cash flow statement

(a) **Reconciliation of operating profit/(loss) to net cash inflow from operating activities**	2001 £000	2000 £000
Operating profit/(loss)	19,581	(54,292)
Goodwill written off	-	72,088
Depreciation of tangible fixed assets	9,813	6,762
Loss/(profit) on sale of tangible fixed assets	483	(70)
Decrease/(increase) in stocks	856	(693)
Decrease/(increase) in debtors	1,311	(3,634)
Increase in creditors excluding unexpired subscriptions	2,829	11,535
(Decrease)/increase in unexpired subscriptions	(1,006)	3,132
(Decrease)/increase in provisions	(2,672)	3,278
Net cash inflow from operating activities	31,195	38,106

(b) **Analysis of net funds**	At April 1st 2000 £000	Cash flow £000	Exchange movement £000	At March 31st 2001 £000
Cash in hand	398	1,305	28	1,731
Cash placed on short-term deposits	41,985	(2,563)	5,246	44,668
	42,383	(1,258)	5,274	46,399
Debt due after one year	(4,548)	4,548	-	-
Debt due within one year	(7,500)	1,500	-	(6,000)
	(12,048)	6,048	-	(6,000)
Current asset investments	1,468	(247)	-	1,221
Net change in funds	31,803	4,543	5,274	41,620

NOTE 18 Creditors: due within one year

	2001 £000	2000 £000
Bank loans	6,000	7,500
Trade creditors	4,428	5,440
Other creditors including taxation and social security	14,217	13,714
Accruals	32,024	25,678
Proposed dividend	7,559	7,232
	64,228	59,564
Other creditors including taxation and social security comprise:		
Corporation tax	8,550	6,706
Other tax and social security payable	3,573	4,079
Other creditors	2,094	2,929
	14,217	13,714

The bank loans are with three banks. The facilities end in December 2001, January 2002 and February 2002 respectively, and so all have been included in creditors due within one year.

The bank loans are unsecured, but are subject to intra-group guarantees.

Trade creditors as at March 31st 2001 for the group represented an average 9 days of purchases (2000:15 days).

The comparatives have been reclassified for comparability with the current year, as discussed in note 19.

NOTE 19 Unexpired subscriptions and deferred revenue

	2001 £000	2000 £000
Unexpired subscriptions and deferred revenue	54,621	51,947

Unexpired subscriptions represent the amount of subscription monies received in advance of supplying the publication or service, and therefore which remain a liability to the subscriber. Deferred revenue represents all other payments received in advance of services being provided, primarily conference attendance fees and rental income. In the current year, deferred revenue from property rental has been included in this category. In 2000, an amount of £1,122,000 was included within other creditors.

The comparatives have been reclassified for comparability with the current year.

NOTE 20 Creditors: due after one year

	2001 £000	2000 £000
Bank loans (see note 18)	-	4,548

NOTE 21 Provisions for liabilities and charges

	Provision for onerous leases £000	Provision for reorganisation costs £000	Provision for retirement benefits £000	Provisions for pensions defined benefit schemes £000	Total £000
At April 1st 2000	324	2,598	2,615	12,185	17,722
Charge to the profit and loss account	-	524	79	2,261	2,864
Utilised in year	-	(1,864)	(76)	(2,754)	(4,694)
Released in year	(124)	(613)	(1)	(61)	(799)
Exchange difference	8	229	(4)	-	233
At March 31st 2001	208	874	2,613	11,631	15,326

The amounts provided/(assets recognised) for deferred taxation under the liability method are :

	2001 £000	2000 £000
Accelerated capital allowances	642	673
Pensions and post-retirement benefits	(4,256)	(4,269)
Other timing differences	(3,154)	(1,358)
	(6,768)	(4,954)

All potential liabilities/(assets) have been provided/(recognised) except for taxation which would arise on the remittance of profits retained overseas. Note 9 discloses the profit and loss movement in the group's deferred taxation asset of £1,461,000. The year-end balances are included in prepayments and accrued income within note 15.

NOTE 22 Equity share capital

	Authorised		Issued and fully paid	
At March 31st 2001 and 2000	Number	£000	Number	£000
'A' special shares of 5p each	1,575,000	79	1,260,000	63
'B' special shares of 5p each	1,575,000	79	1,260,000	63
Ordinary shares of 5p each	36,850,000	1,842	22,680,000	1,134
Trust shares of 5p each	100	–	100	–
		2,000		1,260

FRS 4 "Capital Instruments" requires the Group to provide a summary of the rights of each class of shares. This summary can be found in the directors' report on page 2. The trust shares participate in a distribution of capital only to a limited extent and accordingly are not treated as equity share capital.

NOTE 23 Reserves

Consolidated profit and loss account	2001 £000	2000 £000
At April 1st	683	991
Retained profit/(loss) for the year	4,297	(73,138)
Goodwill written off	-	72,088
Goodwill charged to profit and loss account on disposal in year	-	425
Exchange translation differences arising on consolidation	4,465	317
At March 31st	9,445	683

The loss for the year to March 31st 2000 includes a £72.1m charge for goodwill impairment.

The cumulative goodwill written off to profit and loss reserves by the group is £22.8m (2000: £22.8m) and mainly arises from the purchase of Business International in 1986, CFO Publishing Corporation in 1988 and Roll Call in 1992 and 1993. Following the impairment review in the year to March 31st 2000 described in note 3 the Group wrote back from reserves and charged current profit with £72.1m in goodwill principally relating to the Journal of Commerce.

NOTE 24 Pensions

	2001 £000	2000 £000
(Decrease)/increase in provision for defined benefit schemes	(554)	244
Funding of defined benefit schemes	2,754	1,663
Funding of other pension schemes	1,871	1,239
Cost for the year	4,071	3,146

The Group operates pension plans for most of its employees throughout the world. The scheme for UK staff provides for the better of defined benefits or defined contributions. 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 most recent actuarial valuations were at April 1st 1998 and established that the schemes were fully funded. Under the Minimum Funding Requirement, the level of funding for the principal UK scheme was 113% at that date. The surplus identified on valuation of the UK scheme in 1998 has been added to the unamortised balance of the surpluses previously identified in 1992 and 1995 and the net surplus is being written off over 13 years as from April 1st 1998, being the average remaining service life of members. The company's contributions to the principal UK scheme recommenced in July 1999 at 14% of pensionable salaries. Market value of the scheme's assets at April 1st 1998 was £69m.

The actuarial valuation of pension liabilities was £61m and the other principal actuarial assumptions assume that, over the long term, the annual rate of investment return will exceed the long-term rate of pensionable salary increases by 1.5%. The actuarial method used for the valuation is the projected unit credit method. A new valuation is currently being prepared for the UK staff scheme, the results of which will be available for the next annual report. The main overseas schemes are based on defined contributions; payments of £536,000 remain outstanding in respect of these schemes.

NOTE 25 Retirement benefits

The Group provides post retirement medical benefits to certain current and former employees. At March 31st 2001 one current employee and 84 retired employees were eligible to receive benefits.

As at March 31st 2001 the Group estimated the present value of its accumulated post-retirement benefit obligation to be £2.6m.

The principal assumptions used in estimating this obligation are health care premium cost escalation of 10% per year and a discount rate to represent the time value of money of 6%. Actual premiums paid are being set against this provision, which is periodically being assessed for adequacy.

NOTE 26 Financial commitments

Operating leases Land and buildings - leases expiring:	2001 £000	2000 £000
Within one year	276	1,191
Between two and five years	1,773	254
After five years	5,812	4,762
	7,861	6,207

Plant and equipment - leases expiring :		
Within one year	122	5
Between two and five years	64	303
After five years	14	-
	200	308

NOTE 27 Capital commitments and contingent liabilities

	2001 £000	2000 £000
Capital expenditure contracted for but not provided in the financial statements	533	–

NOTE 28 Related party transactions

Significant shareholdings

The Financial Times Limited holds 50% of the issued share capital in the company and is entitled to appoint 6 out of the total of 13 places for directors on the company's board. The Financial Times Limited is a wholly owned subsidiary of Pearson plc.
Parties associated with the Rothschild family own 22% of the issued share capital of the company.

Related party transactions

The Group sold goods and services to Pearson plc and subsidiary companies to a total value of £358,593 in the normal course of trade during the year, and acquired goods and services to a total value of £138,486. The aggregate balances outstanding with these companies as at March 31st 2001 were £13,012 due to the Group and £10,475 from the Group. In addition, the Group sold products on subscription to Pearson plc and subsidiary companies, on which revenue of £21,677 was recognised during the year, and in respect of which there was an unexpired subscriptions balance of £15,127 as at March 31st 2001. The company has a loan from N.M. Rothschild & Sons Limited, for which it paid interest of £194,339 during the year. The outstanding balance of the loan was £nil as at March 31st 2001. In addition, the Group places funds on deposit with N.M. Rothschild & Sons Limited. Interest received on these deposits was £155,959 during the year. The outstanding deposit was £2,827,514 as at March 31st 2001.

NOTE 30 Notes to company balance sheet

Tangible fixed assets	Plant and machinery £000	Equipment £000	Total £000
Cost			
At April 1st 2000	3,780	18,281	22,061
Additions	21	3,021	3,042
Transfers	-	66	66
At March 31st 2001	3,801	21,368	25,169
Depreciation			
At April 1st 2000	2,587	12,783	15,370
Provided during year	1,012	2,512	3,524
At March 31st 2001	3,599	15,295	18,894
Net book value March 31st 2001	202	6,073	6,275
Net book value April 1st 2000	1,193	5,498	6,691

Investments (fixed assets)	Shares in Group companies
Cost	£000
At April 1st 2000 and at March 31st 2001	75,977

The principal wholly owned subsidiary undertakings of the company are:
The Economist Intelligence Unit NA Inc. (USA)
CFO Publishing Corporation (USA)
The Economist Intelligence Unit Limited *
The Economist Group (Asia/Pacific) Limited (Hong Kong)
The Economist Group (Jersey) Limited (Jersey)
The Economist Newspaper NA Inc. (USA)
The Economist Newspaper Group Inc. (USA)
Journal of Commerce, Inc. (USA)
Roll Call Associates Inc (USA)
Ryder Street Properties Limited *
Ryder Street Properties (Management) Limited *
Redhouse Press Limited *
The Economist Intelligence Unit GesmbH (Austria)
The Economist Group (Luxembourg) S.a.r.l. (Luxembourg)
The Economist Group Trustee Company Limited*

These companies are engaged in publishing and related services and in the provision of business information except for Ryder Street Properties Limited and Ryder Street Properties (Management) Limited, which rent and let property, The Economist Group (Jersey) Limited and The Economist Group (Luxembourg) S.a.r.l., which act as investment companies for the Group, and the Economist Group Trustee Company Limited, which is the trustee of the Employee Share Ownership Plan. All the companies above are incorporated and registered in England and Wales with the exception of those indicated. Redhouse Press Limited acts as an agent of the company and provides printing services.

The companies marked * are directly owned by The Economist Newspaper Limited; all other companies are owned through wholly-owned subsidiaries.

All subsidiaries, other than The Economist Group (Luxembourg) S.a.r.l., have a financial year ending March 31st.
The Economist Group (Luxembourg) S.a.r.l. has a financial year ending the end of February.

NOTE 30 Notes to company balance sheet (continued)

Stocks and work-in-progress	2001 £000	2000 £000
Raw materials	608	913
Work-in-progress	100	11
Finished goods	100	116
	808	1,040

Work-in-progress comprises third party and editorial costs.

Debtors

Debtors: due after one year	2001 £000	2000 £000
Amounts owed by Group companies	11,700	11,700

Debtors: due within one year		
Trade debtors	19,272	15,191
Amounts owed by Group companies	11,178	11,847
Other debtors	422	1,152
Prepayments and accrued income	6,628	5,967
Tax recoverable	1	1
	37,501	34,158

Investments (current assets)

These comprise shares in the ESOP (see note 16). These were previously accounted for by The Economist Group Trustee Company Limited.

Creditors: due within one year	2001 £000	2000 £000
Bank overdraft	10,898	4,248
Bank loans	6,000	7,500
Trade creditors	2,163	1,856
Amounts owed to Group companies	15,308	24,130
Other creditors including taxation and social security	7,750	7,533
Accruals	19,724	15,773
Proposed dividend	7,559	7,300
	69,402	68,340

Other creditors including taxation and social security comprise:		
Corporation tax	3,761	3,547
Other tax and social security payable	3,443	3,905
Other creditors	546	81
	7,750	7,533

NOTE 30 Notes to company balance sheet (continued)

Unexpired subscriptions and deferred revenue	2001 £000	2000 £000
Unexpired subscriptions and deferred revenue	14,036	12,833

Unexpired subscriptions represent the amount of subscription monies received in advance of supplying the publication or service, and therefore which remain a liability to the subscriber. Deferred revenue represents all other payments received in advance of services being provided, primarily conference attendance fees and rental income.

Creditors : due after one year	2001 £000	2000 £000
Bank loans	-	4,548

The bank loans are with three banks. The facilities end in December 2001, January 2002 and February 2002 respectively, and so all have been included in creditors due within one year.

The bank loans are unsecured, but are subject to intra-group guarantees.

Provisions for liabilities and charges	Provisions for retirement benefits £000	Provision for pensions-defined benefit schemes £000	Total £000
At April 1st 2000	1,662	9,146	10,808
Charge to the profit and loss account	-	1,451	1,451
Utilised in year	(58)	(1,835)	(1,893)
Released in year	(1)	(61)	(62)
At March 31st 2001	1,603	8,701	10,304

The amounts provided/(assets recognised) for deferred taxation under the liability method are :

	2001 £000	2000 £000
Accelerated capital allowances	(292)	(153)
Pensions and post-retirement benefits	(3,091)	(3,139)
Other timing differences	(643)	(41)
	(4,026)	(3,333)

All potential liabilities/(assets) have been provided/(recognised) except for taxation which would arise on the remittance of profits retained overseas.

NOTE 30 Notes to company balance sheet (continued)

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NOTE 30 Notes to company balance sheet (continued)

Reserves

Profit and loss account	2001 £000	2000 £000
At April 1st	32,872	42,088
Retained profit/(loss) for the year	6,377	(9,216)
At March 31st	39,249	32,872

Financial commitments

Operating leases	2001 £000	2000 £000
Land and buildings - leases expiring:		
Within one year	100	30
Between two and five years	438	2,042
After five years	3,488	1,819
	4,026	3,891
Plant and equipment - leases expiring :		
Within one year	88	1
Between two and five years	-	273
	88	274

Capital commitments and contingent liabilities	465	-

The company has guaranteed certain bank overdrafts and property leases of its subsidiaries and the bank overdraft of the Group's Employee Share Ownership Plan trustee company, although there were no overdrafts as at March 31st 2001. The annual cost of property leases guaranteed by the company is currently £2.5m per year.

Notice of annual general meeting

Notice is hereby given that the annual general meeting of The Economist Newspaper Limited will be held at the Institute of Directors, 116 Pall Mall London SW1Y 5ED on Tuesday July 10th 2001 at 12:15pm for the following purposes:

1. To receive the report of the directors for the year ended March 31st 2001.

2. To receive the audited accounts for the year ended March 31st 2001.

3. To declare the final dividend.

4. To reappoint PricewaterhouseCoopers as the company's auditors.

5. To authorise the directors to fix the remuneration of the auditors.

6. To consider and if thought fit pass Resolution A set out in the appendix as a special resolution.

7. To consider and if thought fit to pass Resolution B set out in the appendix as a special resolution.

By order of the board

S J Abesser
Secretary

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

June 7th 2001

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. A form of proxy is enclosed. It must be signed by the appointer and delivered to the the company's registrars, Computershare Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 3FA at least 48 hours before the meeting.

Appendix

Special resolution A
That Article 108 of the Articles of Association of the company be and is hereby amended as follows:

(a) (i). By the insertion after the words "equal to" in line 9 of paragraph (B) the words "the greater of four times Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA") and";

(a) (ii) By the insertion of a new (C) as follows and re-number the remaining paragraphs accordingly.
"For the purposes of this Article, "EBITDA" means the consolidated profit on ordinary activities, using United Kingdom generally accepted accounting principles, before interest expense, or interest income, taxes, depreciation, amortisation and extraordinary and exceptional items and profit or loss on sale or closure of businesses as shown by the then latest audited financial statements of the Company and its subsidiary undertakings prepared for the purposes of the Statutes and approved by the Company in General Meeting Provided that, if the relevant period covered by the relevant financial statements is more, or less than 52 weeks by a week or more, EBITDA shall be the EBITDA shown by such financial statements divided by the number of weeks (to the nearest full week) in the relevant period multiplied by 52 and Further Provided that if such financial statements had been prepared using United Kingdom generally accepted accounting principles which have changed from those used in the previous such financial statements in a way materially to reduce the EBITDA shown in them, the Directors may elect by notice to the Auditor that EBITDA shall for that year be calculated using the accounting principles used in the financial statements of the previous year."

(b). By the insertion after the word "of" in line 1 and in line 4 of renumbered paragraph (F) the words "EBITDA or".

Special resolution B
The Articles of Association of the Company shall be amended as follows:-

(a) by the deletion of Article 14 and the substitution therefor of the following:-

"Every certificate for shares or debentures or other securities shall be authenticated or executed by or on behalf of the Company in such manner as the Directors may from time to time determine, either generally or in any particular case, and any certificate issued in accordance with such determination of the Directors shall, as against the Company, be prima facie evidence of the title of the person named in that certificate to the shares, debentures or other securities comprised in it."

(b) Article 17 shall be amended by the deletion of the words "not exceeding one shilling".