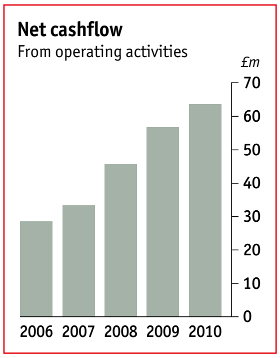
The Economist Group

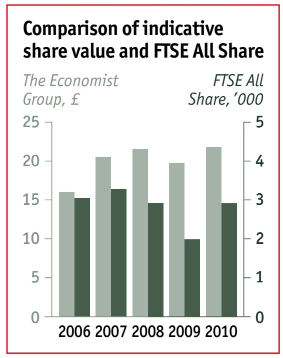
Annual report 2010

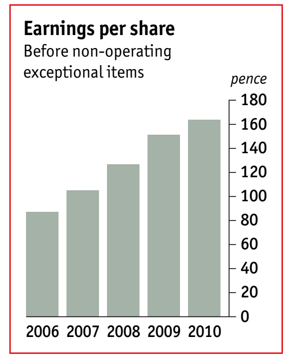
ANNUAL REPORT

REPORT AND ACCOUNTS

The Economist Newspaper Limited registered number 236383







	2010	2009	2008	2007	2006
Profit and loss	£m	£m	£m	£m	£m
Turnover	320	313	266	248	218
Operating profit	**58**	**56**	**44**	**36**	**28**
Non-operating exceptional items	(1)	-	1	11	1
Profit on ordinary activities before interest	57	56	45	47	29
Net interest (payable)/receivable	(7)	-	2	2	2
Profit before taxation	50	56	47	49	31
Profit after taxation	38	38	32	34	22
Balance sheet and cashflow					
Fixed assets	132	69	38	41	38
Net (debt)/cash balance	(38)	13	20	31	55
Net current liabilities	(57)	(50)	(48)	(36)	(5)
Long-term creditors and provisions	(77)*	(34)	2*	(13)	(29)
Net (liabilities)/assets	(2)	(15)	(8)	(8)	4
Net cash inflow from operating activities	63	57	46	33	29
Margin and earnings per share	2010	2009	2008	2007	2006
Operating profit to turnover	18.0%	17.8%	16.6%	14.6%	13.1%
Basic earnings per share	152.5p	151.2p	128.7p	134.9p	88.4p
Earnings per share before non-operating exceptional items	164.0p	151.2p	126.7p	105.2p	87.1p
Dividends and shares					
Final and interim dividends per share†	99.6p	95.3p	79.7p	64.8p	59.0p
Special dividend per share	31.7p	-	91.3p	139.0p	79.4p
Total dividends per share†	131.3p	95.3p	171.0p	203.8p	138.4p
Times covered (before non-operating exceptional items)	1.2	1.6	0.7	0.5	0.6
Indicative share value	£21.75	£19.75	£21.50	£20.50	£16.00

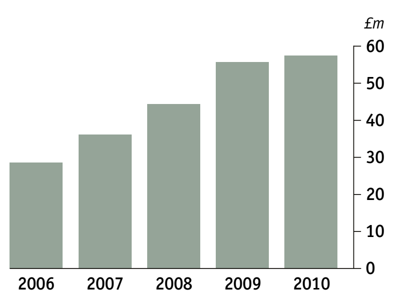
* Balance includes surplus on defined benefit pension scheme.
† For definition, see note 10 on page 43.

£320m
up 2%
REVENUE

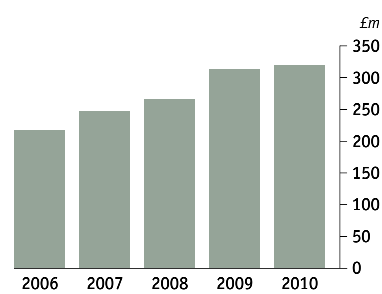
£58m
up 3%
OPERATING PROFIT

18%
up 0.2%
OPERATING MARGIN

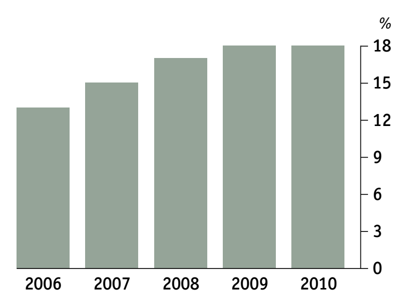
Group operating profit



Group turnover

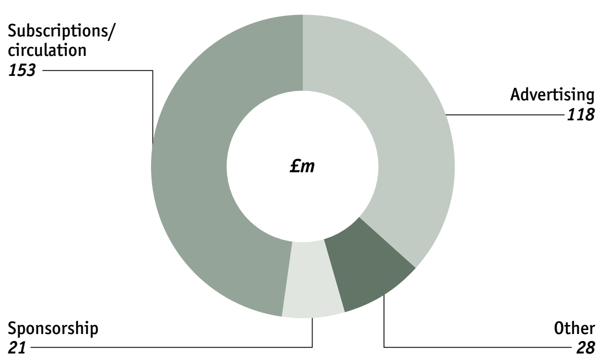


Operating profit margin



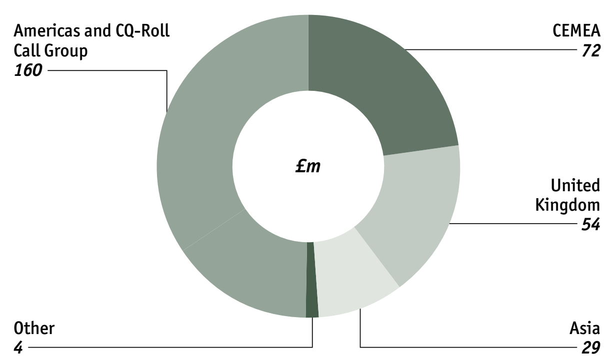
Group revenue breakdown

2010



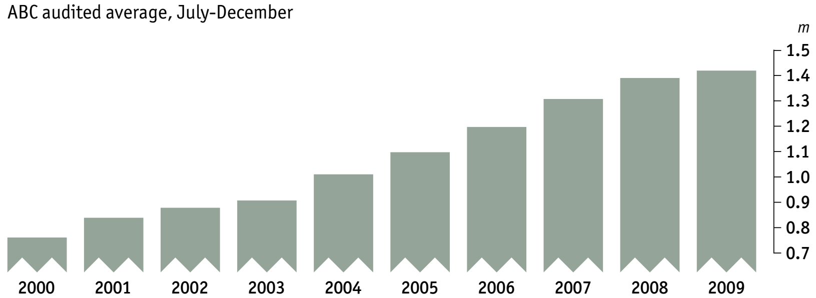
Turnover by regional business

2010



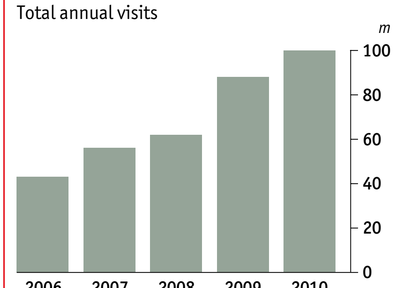
The Economist global circulation

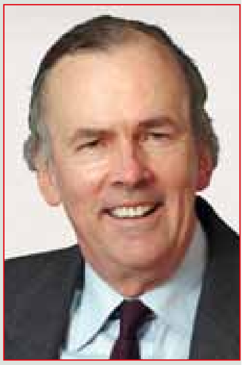
ABC audited average, July-December



The Economist online

Total annual visits





DESPITE TURBULENT TRADING CONDITIONS, THE ECONOMIST GROUP ACHIEVED ANOTHER RECORD OPERATING PROFIT

In a difficult year, the Group managed to produce some solid results. Operating profit of £57.5m was 3% higher than in the previous year, and turnover was up 2% at £319.9m. Profit after tax, helped by a lower tax rate, increased by 1% to £38.2m, despite interest payments on the loans to cover recent acquisitions and the loss on the disposal of CFO. Excluding the loss on the disposal of CFO and other non-operating exceptional items, normalised EPS increased by 8%. The company produced £63m of operating cash, up £7m from the year before. Following the 32.4p interim dividend and 31.7p special dividend paid in December, and the second interim dividend of 60p paid in early April 2010, the Board is recommending a final dividend of 10.0p. Excluding special dividends, the full-year dividend will therefore be 102.4p, a 5% rise on last year. We also contributed a special one-off payment of £5m to the UK defined-benefit pension scheme.

The results were helped by three things: (1) A stronger dollar. Some of our operating profit is earned in US dollars, which averaged $1.58 to the pound compared with $1.73 the previous year. (2) Acquisitions. In August 2009 we bought Congressional Quarterly (CQ) to sit alongside Capitol Advantage (bought in 2008) and *Roll Call*. The combined CQ-Roll Call Group is a leader in providing information about the workings of Congress as well as advertising channels to reach members of Congress and other people in Washington, DC. (3) Cost reductions. The management's emphasis on reducing costs ahead of falling advertising and sponsorship revenues.

In January we sold a controlling stake in CFO to the business's management and a private-equity firm, Seguin Partners. We remain minority shareholders. This sale follows the closure of *CFO Asia* and *CFO Europe*. (The post-tax loss on sale after writing off goodwill of £4.9m was £3.1m.) This means the Group now has three main business divisions: *The Economist* (including the newspaper, *The Economist* online, as we now call Economist.com, *Intelligent Life*, The World In and our conferences and research activities); the Economist Intelligence Unit; and the CQ-Roll Call Group. In addition, we own EuroFinance and *European Voice*.

Most advertising markets in which we operate have stabilised, but it is too soon to talk of a real recovery. While we continue to be vigilant on costs, we are also investing in the areas we believe are essential to the Group's future: circulation of *The Economist*, digital editions of *The Economist*, *The Economist* online, the Economist Intelligence Unit and the CQ-Roll Call Group. We remain confident about the strength of the business and the dedication of our talented staff. On behalf of the Board, my thanks to all of them.

John Gardiner and Nigel Morris step down from the Board at the annual general meeting, John after 12 years and Nigel after six. I thank them on behalf of the Board and shareholders for their wise advice. John Elkann, chairman of Fiat, joined the Board in July 2009.

RUPERT PENNANT-REA

FROM THE CHIEF EXECUTIVE

IT WAS A TOUGH YEAR, BUT THE COMMITMENT AND SKILL OF THE PEOPLE WHO WORK AT THE ECONOMIST GROUP AND THE CONTINUED RELEVANCE OF OUR BRANDS LED TO STRONG RESULTS

Circulation of *The Economist* rose to 1,420,766 in the July-December 2009 ABC period, with all regions except continental Europe growing, though at a slower rate than in recent years. Print advertising in *The Economist* was down 17%, but our share in most of our advertising markets rose. *The Economist* online (as we now call Economist.com) saw advertising revenue rise 6%, reflecting the growing importance of web advertising for clients and therefore for us.

Alongside the continued migration of advertising from print to web, a more recent trend is the growing importance, particularly in America, of e-readers, portable devices for displaying books and other content. We see this as an opportunity: a way to reach new readers as well as serving those who choose to switch from, or add to, their print subscription. Oscar Grut, who remains our general counsel and company secretary, took commercial responsibility for digital editions of *The Economist* in January, and he writes about it on page 14.

In August we bought Congressional Quarterly (CQ). Based in Washington, DC, CQ is the leading source of information on legislation passing through Congress. Largely a subscription business, it has customers in government and among trade associations, lobbyists and companies' government-relations departments. Along with Capitol Advantage (data-rich tools for associations to mobilise their supporters) and *Roll Call*, it forms part of the CQ-Roll Call Group. We are now able to provide the best information about the workings of Congress and the most effective advertising channels to reach politicians and their staff. The integration of these businesses has gone well.

The majority of revenue at the CQ-Roll Call Group is subscription-based. This, along with sales at the Economist Intelligence Unit and, of course, subscriptions to *The Economist*, means that content and delegate sales now represent 55% of the Group's turnover. We see significant opportunity to grow in all these areas and we shall invest to drive that growth. As part of that focus, the Economist Intelligence Unit is now run globally rather than regionally. Chris Stibbs, while continuing to be Group finance director, is now also managing director of the EIU.

The Economist Group's success has always been dependent on the extraordinary people who work here, drawn by our brands and our global reach. We aim to recruit the very best, whatever their background and wherever they are. As well as attracting the most able candidates, we must make the Group more flexible (for instance, accommodating commitments outside work wherever that is possible) so that people progress on their merits alone. Even though we have a long way to go, I believe this focus on diversity is helping the business to succeed.

ANDREW RASHBASS
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The troubled world economy and Barack Obama's presidency were the main subjects for many of the Group's journalists. At *The Economist*, we were quick to spot the rebound in emerging markets and give warning about sovereign-debt problems in Europe, though our worries about new asset bubbles have not been shared by investors. We took a critical view of Mr Obama's first year, but we supported health-care reform. Our Buttonwood columnist, books-and-arts editor and Silicon Valley correspondent all won awards. We began a new column in the paper, devoted to business, called Schumpeter. But the biggest change in *The Economist*'s editorial department was the integration of print and dotcom. We launched 11 web sections, broadly corresponding to the sections of the paper, each with its own editor. The business-and-finance "channel" has quickly drawn more than 60,000 followers on Twitter. Our family of blogs expanded with the addition of Babbage, on technology; both Gulliver (business travel) and Democracy in America (American politics) won awards.

The Economist Intelligence Unit's editorial team has expanded its range of publications and services that help companies make international business decisions, especially in emerging markets. The Risk Briefing service and CountryData now cover 180 and 200 countries respectively. The EIU also launched a Global Forecasting Service, and coverage of both commodity markets and the energy industry has been stepped up. There was a sharp rise in the number and scope of custom-research projects undertaken, particularly for governments and multilateral organisations. A host of white papers were published on everything from the health-care challenges of ageing populations to the implications of demographic change in the Middle East.

Intelligent Life continued to improve, with a new art director, a sharper logo and new books and food columns. It punched above its weight with talked-about pieces from the decline of the polymath to the story of a 1930s picture. *Intelligent Life* was shortlisted at the Magazine Editors' Awards and launched on Twitter, which helped web traffic rise by 70%. *European Voice* also integrated its print and dotcom operations and saw its web traffic grow. In January 2010 it broke the news that EU officials were exploring ways to provide a loan to Greece. A guide to the new European commissioners, *European Voice*'s first stand-alone publication for many years, did well.

"The biggest change in The Economist's editorial department was the integration of print and dotcom"

The new CQ-Roll Call Group has the largest newsroom covering Capitol Hill, with 185 reporters, editors and support staff. Although the *Roll Call* and Congressional Quarterly teams will soon work out of a single building, their missions remain separate: CQ tracks the news and details of the legislative process, while *Roll Call* covers the people and politics of Capitol Hill. Both CQ and *Roll Call* provided round-the-clock coverage of the historic health-care package. Scoops included Arlen Specter's decision to defect to the Democrats and the uncovering of Congress's plans to buy corporate jets for itself. The re-launched website for citizen activists, Congress.org, has more than 30,000 registered users. The Group won awards from both the White House News Photographers Association and the Maryland-Delaware-DC Press Association.

Finally, I would like to pay fond tribute to our former deputy editor, Norman Macrae, who died in June 2010. He did as much as anybody to make *The Economist* what it is today.

JOHN MICKLETHWAIT EDITOR-IN-CHIEF
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AMERICAS

"Our sustained investment in building the brand was recognised this year when we won two prestigious advertising awards, and were named a finalist in Adweek's competition to find the 'Best of the 2000s' outdoor ad of the decade"

The markets in which we operate are changing. The print advertising market has declined as marketers move their budgets into digital channels and readers have many more ways to access *The Economist*, most notably through e-readers and mobile devices. During the last year we have positioned our businesses to manage these structural changes while continuing to grow.

We have continued to invest in circulation and the brand. Sales of all magazines in the United States were affected by the economic climate, with overall news-stand sales dropping year on year. Despite this, sales of *The Economist* grew, with our ABC audited circulation in North America increasing by 3.3% to 813,240 copies for the July-December 2009 period. At the same time, we have developed sales of digital versions of *The Economist*, most notably on the Kindle. Reflecting the overall market, advertising sales for the paper were down compared with the previous year, yet we maintained our position as market leader. In contrast, online advertising sales grew 14%, a trend that looks set to continue as the digital advertising market grows.

Last year we reorganised our business, putting in place an integrated sales strategy for advertising and sponsorship. We now routinely develop packages and programmes that take a larger share of marketers' overall budgets. In recognition of our success in both circulation growth and advertising sales, *Adweek*, *Brandweek* and *Mediaweek* have for the fourth consecutive year placed *The Economist* on their Hot List of the top ten magazines in the United States.

Following the globalisation of the management of the Economist Intelligence Unit we have aligned all of the other Economist branded businesses, apart from the newspaper and *The Economist* online, under one management team for the Americas. This team is responsible for our events business, The World In, *Intelligent Life* and our business-research and publishing business. This year we re-positioned our events business. We now run fewer events, they more closely reflect our brand values, and we have changed to a delegate-led model. This strategy is working: our Innovation event in March in San Francisco set the record for delegate revenues and engagement for one of our events in the United States. By bringing all of our non-magazine assets together we can focus on building these businesses while developing other brand extensions and new opportunities.

Our sustained investment in building the brand was recognised this year when we won two prestigious advertising awards, and were named a finalist in *Adweek*'s competition to find the "Best of the 2000s" outdoor ad of the decade.

In the last quarter of the financial year we sold CFO Publishing to private equity firm Seguin Partners. We believe, given the changes in the business-to-business marketplace, that the CFO brand will benefit from new ownership and investment. We will continue to hold an interest in the new company.

This has been one of our most challenging years, with the recession affecting the short term, and structural changes starting to influence the future of our businesses. Looking forward, the economic climate seems to be improving. The changes we have put in place, coupled with our strong brand and talented people, will enable us to develop new areas for growth.

In tandem with all the editorial changes to *The Economist*'s website over the past year, we have continued to develop and improve the technology. We have re-designed much of the site with the introduction of simpler navigation and a more streamlined, attractive page design. To reflect the editorial integration we have re-branded Economist.com as *The Economist* online.

Commercially, we execute *The Economist*'s online strategy to make it the premier destination for intelligent analysis, discussion and debate by selling subscriptions as well as advertising and sponsorship. Over the past year we have introduced a pay barrier in front of the print-edition content and archived content older than 90 days; as a result, we have more than doubled the number of web-only subscriptions. Additionally, *The Economist* online is now the source of approximately 15% of all print-subscription sales globally. Advertising and sponsorship revenues have grown by 6% year on year as we have developed new opportunities for marketers to position their brands in front of our desirable audience.

Building that audience is key to our commercial success, and we have invested to attract new readers besides encouraging our existing readers to do more on the site. The number of readers—unique users—has increased by 11% year on year, and we see them engaging with us and with each other through more than 20,000 comments each month. Off the site we have built active audiences of more than 250,000 people on both Facebook and Twitter, making us one of the most popular media brands in the social networking space.

There will always be more to do as the online landscape evolves, but with our engaged and valuable audience and strong brand, we are well placed for future growth.

PAUL ROSSI MANAGING DIRECTOR AND EVP, AMERICAS
paulrossi@economist.com

"Off the site we have built active audiences of more than 250,000 people on both Facebook and Twitter, making us one of the most popular media brands in the social networking space"

ASIA

The global economic crisis hit many countries in this export-dependent region hard. The effect on our business was considerable. Advertising revenue, a good barometer of client sentiment, declined 42% compared with the previous year.

Despite challenging conditions, I am pleased to report a number of positive aspects in our business across the year. *The Economist*'s circulation in Asia Pacific rose to over 135,000 copies per week in the July-December 2009 ABC period; our investment in India continues to show good results, with circulation up 25% on last year to just under 25,000 copies. A focus on the client-research business, which was less susceptible to the market downturn, saw revenue jump 56% year on year. Our membership-based briefing and networking service, Corporate Network, launched a new website, strengthening our service and allowing us to offer online memberships. The Healthcare in Asia conference in March 2010 attracted over 180 delegates, record sponsorship revenues and the health ministers of Singapore, Indonesia, Taiwan and Hong Kong as speakers. Editorially, we remain the title of choice for Asia's globally curious. Several of our stories made headlines in the region's media, notably "Gendercide" (March 6th) and "The battle for Thailand" (March 20th).

Following a difficult year, our priority is to rebuild revenues quickly. We must also be mindful of the need to invest in longer-term revenue opportunities and in building brand awareness, which remains low in many Asian countries. Among our objectives, we plan to: continue robust circulation growth in India, laying the foundations for a long-term circulation target of 100,000 and building a strong offering in the domestic advertising market; target more aggressive circulation volume increases in countries other than India, while maintaining circulation profitability; build the market for international advertising with a focus on Chinese and Indian companies, which increasingly are looking to reach the world with their marketing messages; and assess the scalability of the new Economist Conferences strategy in the region, based on themes linked more closely to *The Economist* and a greater emphasis on delegate-driven events.

"A focus on the client-research business, which was less susceptible to the market downturn, saw revenue jump 56% year on year"

As we enter a new financial year, the external environment that affects our business is much stronger than a year ago. Recent GDP data suggest that Asian economies are in the vanguard of the global recovery. GDP growth in Asia and Australasia (excluding Japan) is forecast to recover from 4.4% in 2009 to 7% in 2010. China is expected to grow by 9.7% this year, and India by 7.6%.

With the region's economies picking up, we expect Asian companies—particularly those in the stronger emerging markets—to resume their push to grow outside their domestic markets. There is also a gathering realisation among Western multinationals that future growth opportunities are likely to be greatest in Asia. Several companies are shifting from lip-service to action in this regard, moving highly prominent global figures and their teams to Hong Kong and elsewhere in Asia as part of a push to locate their strategic management functions in the region.

I would personally like to thank our staff in Asia. With their support we have emerged from a most challenging year, and are well placed to take advantage of what looks to be a brighter year ahead.

TIM PINNEGAR MANAGING DIRECTOR, ASIA
timpinnegar@economist.com

CONTINENTAL EUROPE, MIDDLE EAST AND AFRICA (CEMEA)

The global financial crisis hit CEMEA later than in the other regions but equally hard. Continental Europe saw industry declines in advertising spend of 12%, and our business in the Middle East and Africa was affected by the economic problems in Dubai and the Nigerian banking crisis. Total revenues for the CEMEA region were down 12%.

In response, we reduced costs by 10% across the business and made structural changes that have positioned us to return to delivering better results in the coming year. These changes—which included shutting down *CFO Europe*, closing the Vienna office, creating a shared operations department for EuroFinance and Economist Conferences, consolidating our printing with one supplier and restructuring Corporate Network—allowed us to manage a revenue decline in the region of 12% compared with the previous financial year.

The combination of pricing discipline and cost control in newspaper circulation, supported by an award-winning brand campaign, "Thinking Spaces", delivered a small volume growth and a significant increase in profitability from circulation, where revenues rose 11%.

The World In had a record year, with advertising revenue from the region up 22%. Revenue from EIU-branded country and industry subscriptions grew 12% as we instituted a new pricing and yield-management strategy. Despite pressures on banks' sponsorship budgets and corporate treasurers' travel budgets, the EuroFinance International Treasury Conference in Copenhagen in October was a great success, attracting over 800 paying delegates and many repeat sponsors.

European Voice delivered strong profits for the first time, supported by a move towards a greater contribution from paid circulation. *The Economist*'s circulation in CEMEA was 267,464 in the July-December 2009 ABC period. The decline in print advertising revenue in Europe at the newspaper hides the achievement of great improvements in our share in key markets in the region, particularly France and Germany.

"We opened a regional headquarters for CEMEA in Geneva in August, bringing us closer to our markets"

We opened a regional headquarters for CEMEA in Geneva in August, bringing us closer to our markets and, for the first time, allowing us to serve important clients locally in Switzerland, where our market share of print advertising has grown by ten percentage points. "Generation X v Generation Next", a conference we held in Geneva, brought together young adults and their parents to debate topical issues, and was so successful that the younger delegates built a Facebook page to continue their discussions.

Preparing ourselves and our clients for a more digital future, we have re-designed and launched new websites for Economist Conferences, EuroFinance and Corporate Network, as well as introducing a new e-commerce platform to allow sales of additional products to our customers.

This new financial year will see the CEMEA team building on the restructured conferences and Corporate Network businesses. As everywhere, digital will be a growing focus. We plan to increase newspaper circulation growth and further increase the profitability of circulation. The outlook for the region continues to be difficult and we have a tough year ahead of us. We will continue to make strategically sensible decisions while pushing to maximise our market share across the region.

SUSAN CLARK MANAGING DIRECTOR, CEMEA AND GROUP MARKETING DIRECTOR
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UNITED KINGDOM

As was the case globally, market conditions were tough in the UK, and print advertising in *The Economist* in the UK fell by 16%. That impact was cushioned to a large degree by buoyant revenues elsewhere in the business and concerted efforts to control costs.

Although conditions for advertising revenue were tough, UK circulation for *The Economist* continued to grow. The July-December 2009 ABC audit showed an average sale of 189,201 copies, 1.2% up on the previous year. We invested in promoting the Economist brand and launched a new advertising campaign in cinemas, our first film commercial since 2001. Besides supporting the 56th consecutive rise in UK circulation, the commercial won a gold award at the Kinsale Sharks, an international competition of creative work, and two further medals at the APG Creative Strategy Awards.

We started an innovative way for readers in the UK to buy their copy of *The Economist*. Readers can elect to receive a text message on their mobile telephone summarising the main stories from the issue about to go to press. Readers can choose to buy that issue by replying, triggering a charge to their credit card. The copy is then delivered overnight. Interest in the service has grown significantly since launch.

Our performance on readership research strengthened. The number of people in the UK who read *The Economist* topped the half-a-million mark for the first time, according to the National Readership Survey. Our strong circulation and readership story has been important in helping to offset the challenges of selling advertising in a difficult market.

"The number of people in the UK who read The Economist topped the half-a-million mark for the first time, according to the National Readership Survey"

Other areas of the business grew despite the conditions. The heightened interest in digital marketing helped deliver growth in the UK of 11% in advertising revenue at *The Economist* online. Customised research at the Economist Intelligence Unit also delivered strong growth. Projects on industry and management topics, which are mostly commissioned for public distribution, increased in value by 36%. Projects dealing with country economics grew by 41%.

Revenue at Economist Conferences was up by 9%. Our events generally attract a prestigious group of speakers, but the Global Sports Summit, which analyses the business of sport, had a particularly glittering line-up that included HRH Princess Anne, the Princess Royal, and Fabio Capello, manager of the England football team.

This is the second year that we have published *Intelligent Life* each quarter, and subscriber numbers in the UK increased by 88% on the prior year, reflecting both marketing efforts and the strength of the editorial offering. Syndication of Economist-branded content, which the UK team manages globally, faced a difficult market but still delivered 2% growth in revenue on last year.

In the past, we have viewed the UK market as relatively mature for *The Economist*. Our recent analysis, however, suggests that the audience of intellectually curious people is larger than we thought and capable of supporting further growth in circulation. We have already started to invest in activity to tap that potential, and this will continue in the coming year. Vibrancy in our circulation will support not only the revenue that comes from readers but also the revenues that are generated because of the attractiveness of our audience to marketing clients.

NIGEL LUDLOW MANAGING DIRECTOR, UK
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If you look at last year's annual report, you'll note that we dubbed 2009 as a year of transformation. Little did we know what was on the horizon!

In August 2009 we acquired Congressional Quarterly, an institution in Washington since 1945 and an organisation many consider the publication of record on the activities of Congress. This was by far the largest of our three acquisitions and has truly transformed our business, now renamed CQ-Roll Call Group. The change has been challenging but rewarding, especially as we aim to push revenue over $100m in the upcoming year.

To put this into context, this is a fivefold increase over our 2006-07 revenue—which was virtually all advertising-related—the last full financial year before the series of acquisitions began. In contrast, CQ-Roll Call now is weighted 67% to subscription revenue while still benefiting from a high-margin advertising portfolio. This subscription backbone makes us less volatile to the swings of the market while presenting us with unlimited opportunities to continue to grow the business. We now have a suite of products unmatched in Washington—products that complement each other and provide true solutions for just about any client information need involving Congress.

Like all businesses, however, we face a host of challenges in the year ahead, including a new robust competitor in Bloomberg, strong competition in advertising from *Politico*, a struggling economy and a mid-term election which tends to create a shorter legislative cycle.

Additionally, the decline of print advertising remains a concern, as it still accounts for 28% of our revenues. And while online advertising for *Roll Call* nearly tripled from the prior year, print pages sold remained flat over the same period, even though we should have seen a post-election year bounce.

"In August 2009 we acquired Congressional Quarterly, an institution in Washington since 1945 and an organisation many consider the publication of record on the activities of Congress"

But we have much to be proud of. Our team of nearly 200 journalists, who now account for about half of our staff, produced incredible journalism and, throughout the acquisition and a long legislative season, missed not a single deadline, even after the massive changes in the department. The information-technology and strategy-and-development teams worked together to identify key parts of GalleryWatch and subsequently rolled them on to the CQ.com platform, and worked tirelessly to complete a multitude of other tasks. They also put forward a number of planned initiatives for the upcoming year, including a redesign of *Roll Call* in print and online, and major upgrades to both CQ.com and Capwiz. Our circulation sales teams were merged into one complete unit that now sells all products in our portfolio, while the advertising team moved the print market share of *CQ Today* ahead against another rival, the *National Journal*. Thanks, too, to all of those on our senior management team who worked hard to support each other through difficult times. It's amazing that this group has been together for only seven months.

While media companies are struggling to find a way forward, we believe we have created a robust business that will withstand challenging times, continue to grow steadily and be vibrant long into the future.

LAURIE BATTAGLIA MANAGING DIRECTOR AND EVP, CQ-ROLL CALL GROUP
lauriebattaglia@cq-rollcall.com

The Economist Intelligence Unit performed strongly in 2009-10, demonstrating its resilience at a time of economic upheaval. We believe that even better results are achievable as the global economy recovers, and in recognition of this we announced a restructuring of the business in January. From April 2010 the operation has been run as a single global unit, with an ambitious strategy for growth being applied consistently around the world.

Renewal rates for our Country Analysis and Industry subscription products held up well, running at over 90%. And, although new sales were hard to come by in the first half of the year, the business gained momentum in the second half, such that total subscription sales increased 8% over the prior year, a strong performance in a difficult environment.

The Client Research business continued its growth of recent years, with sales up 8% on the previous year as we continued to develop new capabilities and work with new clients. Our average deal size also increased, as we tackled more ambitious projects. We expect these trends to continue, and the pipeline for 2010-11 looks particularly strong.

Previously, the Economist Intelligence Unit was run within *The Economist*'s regional businesses. The restructuring announced in January, with the business being consolidated into a separate global unit, went very smoothly. The new management team has reorganised the Economist Intelligence Unit to give it greater global cohesion, and is now implementing an ambitious strategy. Work is already under way to improve our websites and make our products more compelling and easier to use; to develop new content, such as quarterly forecasts for key markets and a deeper service on China; to invest behind the Client Research business, developing bespoke solutions for organisations; and to build new subscription products that target the corporate market and support our clients' ability to operate internationally.

Overall, we look forward to another year of strong revenue growth, building on the resilience of this year's performance. We will achieve this while investing behind the ambitious plans we have for the business, but still maintaining the strong margins that are indicative of the value of this business.

CHRIS STIBBS MANAGING DIRECTOR, ECONOMIST INTELLIGENCE UNIT
GROUP FINANCE DIRECTOR
chrisstibbs@economist.com

"From April 2010 the operation has been run as a single global unit, with an ambitious strategy for growth being applied consistently around the world"

Over the past year we have seen rapid growth in the market for electronic reading devices, and we expect this trend to continue. This growth has been most pronounced in America, where Amazon's Kindle is the market leader (it was its most "gifted" item ever last Christmas), with other devices like the Sony Reader also selling well. Tablet computers are taking off too—the Apple iPad has proved extremely popular since its launch in America in April—and an estimated 172m smartphones were sold in 2009 alone.

These reading devices afford new channels for our customers to enjoy *The Economist*. Until the emergence of e-readers, we found that the ritual pleasure of *The Economist* was one that our audience preferred to consume in print, regardless of their age or where they live. This lean-back, immersive experience, where readers exclude distractions, contrasts with the snacking, lean-forward experience of grazing on the web between distractions. However, although print continues to be our most important medium for delivering that lean-back experience, we see the beginnings of change with the introduction of these portable digital devices, suggesting a future for the ritual of reading *The Economist* that is no longer exclusively print, but a combination of print and digital.

We have evidence of this growing appetite for digital editions of *The Economist* among both existing subscribers and a new audience with our Kindle edition, launched last year in America and consistently appearing as one of its bestselling magazines. As well as being available on the Kindle, *The Economist* can be purchased on Zinio's digital platform, we are developing our own iPhone and iPad applications, and we are actively pursuing other opportunities to make *The Economist* available in the digital channels where our readers want to find us. As our readership in digital channels increases, the opportunity to capture marketers' advertising budgets in this medium will also grow.

"We aim to be wherever our readers are and to continue to deliver to them the unique weekly reading experience that they have come to expect in print"

Given the increasing importance we attach to this area, we have recruited a dedicated digital editions team whose principal objective is to ensure that we make the most of this opportunity by developing our own digital editions, partnering with platform owners and device manufacturers where this makes sense, and developing the technical and production infrastructure required to be able to deliver *The Economist* in this new medium, so that the regional teams are able to grow their circulation profitably, as well as their advertising revenue, through these digital channels.

This is a rapidly developing market. As in other similar markets, there will be consolidation, and standards will develop. We aim to be wherever our readers are and to continue to deliver to them the unique weekly reading experience that they have come to expect in print. I look forward to reporting on our progress in this important area.

OSCAR GRUT MANAGING DIRECTOR, DIGITAL EDITIONS
GROUP GENERAL COUNSEL AND COMPANY SECRETARY
oscargrut@economist.com

REPORT AND ACCOUNTS

DIRECTORS

Rupert Pennant-Rea

Appointed as non-executive chairman in July 2009, having served as a non-executive director since August 2006. Chairman of Henderson Group, and a non-executive director of Go-Ahead Group, Gold Fields and Times Newspapers. Editor of *The Economist* from 1986 to 1993 and deputy governor of the Bank of England from 1993 to 1995.

Andrew Rashbass

Appointed Group chief executive in July 2008. Formerly publisher and managing director of *The Economist*.

Sir David Bell

Appointed as a non-executive director in August 2005. He retired as an executive director of Pearson and as chairman of the Financial Times in December 2009. He is also chairman of Sadler's Wells and of Crisis.

John Elkann

Appointed as a non-executive director in July 2009. Chairman of Fiat Group. Chairman of Editrice La Stampa and Itedi and a director of RCS MediaGroup, Le Monde and Banca Leonardo. Also vice-chairman of the Italian Aspen Institute, the Italy-China Foundation and the Giovanni Agnelli Foundation.

Rona Fairhead

Appointed as a non-executive director in July 2005. Chairman and chief executive of the Financial Times Group, an executive director of Pearson and a non-executive director of HSBC Holdings.

John Gardiner

Appointed as a non-executive director in April 1998. Previously chairman of Tesco. He will retire from the Board after the AGM.

Philip Mengel

Appointed as a non-executive director in July 1999. Operating partner of Snow Phipps Group. Director of Electro Motive Diesel and previously chief executive officer of US Can Corporation, English Welsh & Scottish Railway and Ibstock.

John Micklethwait

Appointed as a director in May 2006, and editor of *The Economist* since April 2006, having joined the editorial staff in July 1987. Previously US editor.

Nigel Morris

Appointed as a non-executive director in May 2004. Co-founder of Capital One Financial Services and former chief operating officer and president of Capital One Financial Corporation. Member of the board of governors of London Business School, the board of directors of Venture Philanthropy Partners and a number of private companies in the United States. He will retire from the Board after the AGM.

Simon Robertson

Appointed as a non-executive director in July 2005. Non-executive chairman of Rolls-Royce Group, a non-executive director of HSBC Holdings, the Royal Opera House and Berry Bros & Rudd, and a partner of Simon Robertson Associates. Trustee of the Eden Project Trust.

Lynn Forester de Rothschild

Appointed as a non-executive director in October 2002. Chief executive of EL Rothschild and a non-executive director of the Estée Lauder Companies. A trustee of the Eranda Foundation and the Peterson Institute for International Economics. Chair of the American Patrons of Tate.

Lord Stevenson of Coddenham

Appointed as a non-executive director in July 1998. Previously chairman of Pearson, AerFi Group (GPA) and HBOS.

Chris Stibbs

Joined the company as Group finance director in July 2005, and also appointed as managing director of the Economist Intelligence Unit in April 2010. A non-executive director of Motivcom. Previously corporate development director of Incisive Media, finance director of the TBP Group and managing director of the FT Law and Tax Division.

Sir Robert Wilson

Retired as non-executive chairman in July 2009, having served as a non-executive director since May 2002.

TRUSTEES

Baroness Bottomley of Nettlestone PC, DL Trustee since October 2005. Heads the board practice of Odgers Berndtson. Member of the House of Commons (1984-2005). Member of the Cabinet (1992-97), serving as Secretary of State, first for Health and then for National Heritage. Chancellor of the University of Hull, pro-chancellor of the University of Surrey and governor of the London School of Economics. Member of the UK Advisory Council of the International Chamber of Commerce and the Supervisory Board of Akzo Nobel NV. Non-executive director of BUPA.

Clayton Brendish CBE Trustee since 1999. Non-executive chairman of Anite, Echo Research and SThree. Non-executive director of BT Group and Herald Investment Trust and a director of the Test and Itchen Association.

Tim Clark Appointed as a trustee in December 2009. Deputy chairman of G3 and a non-executive director of Big Yellow Group, Mint Equities and the COIF Charitable Funds. Board member of the National Theatre, senior adviser to Chatham House, vice-chair of Business for New Europe and a member of the International Chamber of Commerce UK Governing Body, the Development Committee of the National Gallery and the International Advisory Board of Uria Menendez. Former senior partner of Slaughter and May.

Bryan Sanderson Trustee since May 2006. Chairman of the Florence Nightingale Foundation and of Home Renaissance Foundation, a governor of the London School of Economics and a director of Durham CCC.

Lord Renwick of Clifton Retired as a trustee in December 2009, having served since 1995.

BOARD COMMITTEES

Audit committee

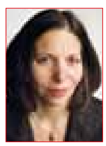
John Gardiner, chairman
Nigel Morris
Rupert Pennant-Rea
Lynn Forester de Rothschild
Sir Robert Wilson (retired July 2009)

Remuneration committee

Rupert Pennant-Rea, chairman (since July 2009)
Nigel Morris
Lord Stevenson of Coddenham
Sir Robert Wilson (retired July 2009)

GROUP MANAGEMENT COMMITTEE (GMC)

Andrew Rashbass
Chris Stibbs
John Micklethwait



Laurie Battaglia
Managing director and EVP, CQ-Roll Call Group. Joined The Economist Group in 1992 when *Roll Call* was acquired. Served as publisher of *Roll Call* until 2008.

Susan Clark
Managing director, CEMEA, and Group marketing director. Joined the Group in July 2005 from Le Méridien Hotels & Resorts as global marketing director of *The Economist*.

Oscar Grut
Group general counsel and company secretary, and managing director, digital editions. Joined the company in 1998 from Linklaters.

Nigel Ludlow
Managing director, UK. Joined the marketing team of *The Economist* in January 1984. Subsequently became global marketing director and later managing director of the Economist Intelligence Unit.

Paul McHale
Group HR director. Joined the company in 1999 from United Biscuits, where he was an HR manager at McVitie's. Began his career at J Sainsbury, working chiefly in management development.

Tim Pinnegar
Publisher and managing director, Asia. Joined *The Economist* in May 2001 as regional sales manager, having worked for Leo Burnett Asia. He subsequently became publisher, Asia Pacific.

Paul Rossi
Managing director and EVP, Americas. Since joining the Group in 1987, he has held various roles, including advertising director, commercial director and publisher of *The Economist* in North America.

Ben Edwards
Resigned in March 2010 as publisher and executive vice-president, Economist.com.

The directors present their report to shareholders, together with the audited financial statements, for the year ended March 31st 2010.

Developments and principal activities

The principal activities of the Group consist of publishing, the supply of business information, conferences and the letting of property. Further information about the activities, developments and likely future developments of the Group are referred to on pages 4-14.

Results and dividends

The profit after tax for the financial year to March 31st 2010 was £38.2m (2009: £37.9m). A final dividend of 10.0p per share (2009: 67.2p) is proposed for the year to March 31st 2010. Together with the two interim dividends and the special dividend already paid, this makes a total proposed dividend for the year of 134.1p (2009: 97.3p). The final dividend will be paid on July 28th 2010 to shareholders on the register at the close of business on June 15th 2010.

Property values

The directors have been advised that the open-market value of the Economist Complex at March 31st 2010 was £61m; the balance sheet value is £14.3m. Based on this information, the directors consider that the aggregate market value of all the Group's properties exceeds their book value.

Transactions with related parties

Details of transactions with related parties, which are to be reported under FRS 8, are set out in the notes to the financial statements on page 56.

Charitable and political donations

During the financial year, the Group made donations to charities amounting to £163,671 (2009: £212,670), and also provided services in kind (free advertising, for example) worth £479,215 (2009: £473,357).

Directors

Sir Robert Wilson retired from the Board on July 16th 2009, and Rupert Pennant-Rea was appointed as non-executive chairman in his place. Profiles of the directors appear on page 18. All executive directors have contracts of employment.

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 19), 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, as are transfers of "A" special and "B" special shares.

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 over 90 "A" special shareholders. The "B" special shares are all held by The Financial Times Limited. John Elkann, John Micklethwait, Nigel Morris, Rupert Pennant-Rea, Simon Robertson, Lynn Forester de Rothschild and Chris Stibbs were appointed by the "A" special shareholders. The "B" special shareholders appointed Andrew Rashbass, Sir David Bell, Rona Fairhead, John Gardiner, Philip Mengel and Lord Stevenson.

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, the company is 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"), but has always sought to run its corporate affairs in line with best practice. It therefore follows the main principles of the Combined Code as closely as is felt to be reasonably 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 and complied with these principles, with the following main exceptions:

- Given the calibre and experience of the non-executive directors, the Board does not believe it is necessary to identify a senior independent director.

- The directors' contracts of employment do not explicitly provide for compensation commitments in the event of early termination.

- Some shareholder meeting procedures do not comply.

- In view of the company's unique capital structure which gives the "A" special and “B” special shareholders the right to appoint directors, the directors do not stand for re-election under the company’s articles of association. However, in June 2007 the Board decided that henceforth “A” special shareholders would be given the opportunity to vote on the renewal of the appointment of directors elected by them on each three-year anniversary of such appointments. This does not apply to the chairman.

- The Board did not undertake a formal evaluation of its performance or that of its committees and individual directors.

Board

The Board currently comprises ten non-executive directors and three executive directors. The non-executive directors have a breadth of successful commercial and professional experience and they exercise independent judgment. Sir David Bell was, until December 2009, chairman of the Financial Times. Rona Fairhead is chairman and chief executive of the Financial Times Group and an executive director of Pearson plc. Lynn Forester de Rothschild and her spouse, Sir Evelyn de Rothschild, are each interested in a significant number of shares (see page 24). Details of directors’ interests and, in relation to the executive directors only, their interests in the employee share ownership trust, are given in the directors’ report on remuneration on pages 24-26.

The Board is chaired by Rupert Pennant-Rea and has met for regular business six times in the 12 months to March 31st 2010. 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 significant acquisitions and major capital expenditure. The Board carries out regular reviews of matters undertaken by management under delegated authority. The company’s articles of association require the approval of the trustees for some actions.

Board committees

The audit committee is made up of four non-executive directors. It is chaired by John Gardiner, and the other members are Nigel Morris, Rupert Pennant-Rea and Lynn Forester de Rothschild. Simon Robertson will chair the committee after John Gardiner retires from the Board at the annual general meeting. The committee assists the Board to ensure that the published financial statements give a true and fair view of the business and also to ensure reliable internal financial information. The committee is also responsible for reviewing the suitability and effectiveness of the Group’s internal financial controls, the work 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: Rupert Pennant-Rea, who replaced Sir Robert Wilson on July 16th 2009, Nigel Morris and Lord Stevenson.

Internal control

The Board is responsible for the company’s systems of internal control and considers that the company has put in place processes which follow closely the main recommendations of the Turnbull Committee and which focus on managing the Group’s key business risks.

Our annual review of risk highlighted the following principal areas: changes to our market (both the secular changes related to the migration of advertising spend to the internet and the continued cyclicality of the advertising market, as well as competitive activity); failure to attract or retain the best people for the company; volatility of the surplus/deficit on the UK defined benefit pension scheme; integration of new businesses the company is acquiring; business continuity (including the breakdown of operational systems from external attack, the failure of key suppliers or a global disaster like a flu pandemic); brand and reputational risk (from libel action or infringement of our intellectual property rights); regulatory risk, such as changes to privacy or employment laws; and the financial operations of the company, specifically foreign exchange, cash management, inaccuracies in financial reporting, and tax.

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 upon 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:

- The Board reviews the Group’s strategy and long-term plan annually. The strategies of specific businesses are reviewed from time to time. Long-term goals are approved by the Board.

- A budgeting system which includes an annual budget and forward projections is approved by the Board. Monthly actual results are reported against the annual budget and revised forecasts are prepared as necessary. The charts on pages 2 and 3 include some of the key performance indicators which are used to measure business performance. The company reports to shareholders at least twice a year.

- Financial policies and procedures exist and senior managers and finance staff are responsible for ensuring that all relevant staff are familiar with their application.

- Written treasury procedures cover banking arrangements, hedging instruments, investments of cash balances and borrowing procedures. These procedures include staff responsibilities, segregation of duties and levels of delegated authority for treasury matters.

- The company has an audit and risk management function which has a dual role: it advises on and reviews the regular updating of business risk registers at both Group and business levels, and also carries out an independent risk-based programme of internal audit work in all parts of the Group. The manager reports to the Group finance director but also has direct access to the chairman of the audit committee. He attends all audit committee meetings and makes formal reports to the committee. The register of key business risks is reviewed by the Board.

- 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.

The Economist Group's guiding principles

The Group operates in a clear and ethical context, and the Board has therefore approved the following guiding principles:

- We aim to offer insight, analysis and services that are valued by our customers.

- Underpinning our ability to fulfil this objective is our commitment to independence, integrity and delivering high quality in everything we do. These values govern our relationships with readers, customers and clients, shareholders, staff, suppliers and the community at large.

- We believe in conducting business with common decency. We are opposed to bribery and do not engage in corrupt practices. We abide by strict guidelines governing the acceptance of gifts and the disclosure of potential conflicts of interest.

- As an international company, we conduct business in many different markets round the world. In the countries in which we operate, we abide by local laws and regulations. We make an active contribution to local charities by charitable giving. We encourage our people to participate in charitable and community activities and we permit them to take time off for this purpose.

- We respect environmental standards and comply with relevant local laws. We take environmental issues seriously. We review the environmental impact of our operations, specifically carbon emissions, annually. Plans to reduce or mitigate those emissions are being developed and implemented, both regionally and globally. We have purchased carbon offsets from The CarbonNeutral Company to offset all emissions resulting from our offices, business travel and commuting for 2007-08. Future offsetting activities will be decided on an annual basis.

- Every year we ask our printers and paper manufacturers whether they conform to ISO 14001 standard, FSC (Forest Stewardship Council) accreditation or their regional equivalent. This year, 94% of our annual expenditure on printing and paper was with companies which comply and are certified.

- We value our colleagues and treat each other fairly. The Group is committed to equality of opportunity in all employment practices and policies. We do not discriminate against employees or job applicants based on the grounds of age, sex, sexual orientation, marital status, race, colour, religion, national origin or disability. For the past few years, we have had a regular programme of equal opportunities training for staff round the world. We support staff who through disability or illness are unable to perform their duties, by adapting the work environment and hours of work to suit the employee where it is reasonable for the business.

The Group is committed to increasing staff diversity. We particularly focus on ensuring that we recruit from the widest possible pool of talent. We are also keen that people feel comfortable and valued at work, regardless of their background.

We recognise that it is essential to keep employees informed of the progress of the Group. We regularly provide employees with information on the Group's activities and its financial performance through staff meetings and communication through our intranet. We have a strong consultative culture and we follow legal and regulatory requirements to consult with staff on major issues affecting the company.

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 on which they trade with their suppliers. Trade creditors as at March 31st 2010 for the company represented on average 31 days of purchases (2009: 26 days).

Annual general meeting

The notice convening the annual general meeting, to be held at 12.15pm on Monday July 19th 2010 at the British Academy of Film and Television Arts, can be found on page 63.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company, and a further resolution to authorise the directors to fix their remuneration, will be proposed at the annual general meeting.

Auditor independence

In line with best practice, the audit committee operates a policy that defines those non-audit services that the independent auditors may or may not provide to the Group. The policy requires the provision of these services to be approved in advance by the audit committee. A statement of the fees for audit and non-audit services is provided in note 6 on page 40.

Disclosure of information to auditors

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

Directors' statement of responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;

- make judgments and estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements, and that the financial statements have been prepared on a going-concern basis. The directors have considered the banking facilities in place and current trading prospects, in applying the going-concern assumption.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board
Oscar Grut
Secretary
June 15th 2010

The committee

The remuneration committee of the Board is made up of three non-executive directors: Rupert Pennant-Rea, who replaced Sir Robert Wilson on July 16th 2009, Nigel Morris and Lord Stevenson. 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 and the policy and structure of Group bonus schemes. In determining remuneration, the committee follows a policy designed to attract, retain and motivate high-calibre executives, aligned with the interests of shareholders.

Directors' interests as at March 31st

Table 1	2010		2009	
Beneficial holdings	"A" Special	Ordinary	"A" Special	Ordinary
Rupert Pennant-Rea	75,000	2,450	75,000	2,450
Andrew Rashbass	400	9,309	400	7,142
Sir Robert Wilson (retired July 16th 2009)	-	19,390	-	19,390
Sir David Bell	-	-	-	-
John Elkann (appointed July 17th 2009)	-	50,000	-	50,000
Rona Fairhead	-	-	-	-
John Gardiner	-	1,000	-	1,000
Philip Mengel	-	1,000	-	1,000
John Micklethwait	300	12,000	300	12,000
Nigel Morris	-	11,444	-	11,444
Simon Robertson	-	4,800	-	2,000
Lynn Forester de Rothschild[1]	240,440	2,966,000	240,440	2,966,000
Lord Stevenson	-	1,000	-	1,000
Chris Stibbs	-	6,539	-	2,867
Holding as a trustee				
John Micklethwait[2]	-	97,500	-	50,000
Rupert Pennant-Rea[2]	-	97,500	-	50,000
Lynn Forester de Rothschild[1]	-	2,012,550	-	2,012,550

[1]Includes the interests of her spouse, Sir Evelyn de Rothschild.

[2] Held as a joint trustee of the Marjorie Deane Financial Journalism Foundation.

Chris Stibbs and Andrew Rashbass each exercised the right to acquire 3,672 ordinary shares under the restricted share scheme described on the next page. Since March 31st 2010, Chris Stibbs and John Micklethwait have each been awarded the right to acquire a further 15,000 shares under the same scheme.

The executive directors of the company, together with all employees, are beneficiaries of the company's employee share ownership trust. As such, the directors are treated as interested in the 175,028 ordinary shares (2009: 167,554) held by the trustee of the trust.

The Group operated a number of annual bonus and long-term bonus plans during the year, providing performance-based bonuses for executive directors and employees.

(a) Annual bonus plans

Executive directors and employees participated in annual bonus plans in which rewards were linked to Group performance and to improvements in key areas of the business which they could influence.

(b) Executive long-term plan

Executive directors and some other senior employees were awarded performance units under the executive long-term plan. The units are equivalent in value to the company's ordinary shares. After a three-year performance period, participants may receive payments depending on the Group's performance against EPS hurdles and its total shareholder return compared with a selected group of companies.

(c) The Economist editorial long-term plan

Some senior journalists who do not participate in the executive long-term plan participate in this three-year cash bonus scheme designed to help us retain key editorial staff. The size of the bonus pool is a percentage of Group cumulative operating profit at the end of three years. The amount paid to each participant is determined by the number of units awarded to the participant at the start of the three-year period. Payout is also contingent on the Group achieving an earnings hurdle.

(d) The Group long-term plan

Some senior staff who do not participate in the executive long-term plan participate in this three-year cash bonus scheme designed to help us retain key staff. The size of the bonus pool is a percentage of Group cumulative operating profit at the end of three years. The amount paid to each participant is determined by the number of units awarded to the participant at the start of the three-year period. Payout is also contingent on the Group achieving an earnings hurdle.

(e) Restricted share scheme

The Group also has in place a restricted share scheme under which a small number of key employees has been awarded a right to acquire ordinary shares at a nominal price between two and six years after the date of the award. The Group has the discretion to pay out shares or cash on exercise.

(f) Succession pool long-term plan (discontinued)

Some staff were identified as having the potential to fill key senior positions in the medium to long term, or as having specialist skills that were very important for the business. This three-year cash bonus scheme was designed to help us retain them. The size of the bonus pool is a percentage of Group cumulative operating profit at the end of three years. The amount paid to each participant is determined by how many units have been awarded to the participant at the start of the three-year period. Payout is also contingent on the Group achieving an earnings hurdle. The last awards under this scheme were made in 2007.

Directors' remuneration and benefits are shown in the following table. Non-executive directors do not participate in any bonus scheme, any long-term incentive scheme or any of the company's pension plans. This table shows salaries/fees, annual bonuses and benefits earned in and charged to the profit and loss account in the year unless otherwise noted. Except for the annual bonus, the table does not include any uncashed or future entitlements under any of the bonus or incentive schemes.

Table 2
Remuneration for the years ended March 31st

	Salary/fees 2010 £000	Annual bonus 2010 £000	Long-term plan payments [1] 2010 £000	Benefits 2010 £000	Total 2010 £000	Total 2009 £000
Rupert Pennant-Rea	96	-	-	-	96	35
Sir Robert Wilson (retired July 16th 2009)	27	-	-	-	27	90
Sir David Bell[2]	35	-	-	-	35	35
John Elkann	25	-	-	-	25	-
Rona Fairhead[3]	35	-	-	-	35	35
John Gardiner	41	-	-	-	41	41
Philip Mengel	41	-	-	-	41	41
John Micklethwait	271	108	223	15	617	438
Nigel Morris	35	-	-	-	35	35
Andrew Rashbass[4]	380	266	210	16	872	470
Simon Robertson	35	-	-	-	35	35
Lynn Forester de Rothschild	35	-	-	-	35	35
Lord Stevenson	35	-	-	-	35	35
Chris Stibbs	285	171	210	13	679	743
Total	1,376	545	643	44	2,608	2,068

[1] The long-term plan payments, which were made in June 2009, relate to awards made in 2006 under an incentive plan which vested over a three-year period ending March 31st 2009, and were paid out following the end of that vesting period.
[2] Paid to The Financial Times Limited until December 2009 when Sir David Bell retired from the Pearson Group.
[3] Paid to The Financial Times Limited.
[4] The 2009 figures for Andrew Rashbass cover only the period from July 16th 2008 when he became a director.

Directors' accrued pensions

The pensions which would be paid annually on retirement at age 65 based on service with the company to March 31st 2010 are shown below. The table does not include any additional voluntary contributions or any resulting benefits.

Table 3

	Age at March 31st 2010	Accrued pension at March 31st 2010	Accrued pension at March 31st 2009	Change
John Micklethwait	47	£107,720	£107,997	(£277)
Andrew Rashbass	44	£79,958	£73,625	£6,333
Chris Stibbs	The company contributed £32,755 to the defined contribution scheme (2009: £33,893).			

Operating result
Operating profit at £57.5m is 3% higher than last year, with revenue increasing by 2%. Operating margin increased by 0.2% to 18%. The results have been supported by the recent acquisitions and a stronger US dollar, which improved the result year on year by £4.1m and £8.0m respectively.

Costs
Underlying costs, at constant exchange and excluding the effect of acquisitions and disposals, were reduced by 6%. As a result, the Group incurred £3.3m of restructuring charges. Actual costs rose by 2%.

Profit before tax
The sale of the majority stake in CFO North America resulted in a £1m loss after charging back £4.9m of goodwill previously written off to reserves. Financing costs increased to £6.6m (2009: nil) mainly because of the loans taken out to finance the recent Capitol Advantage and Congressional Quarterly (CQ) acquisitions, as well as charges related to the defined benefit pension scheme. These costs reduced profit before tax to £50.0m compared with £55.7m in 2009.

Taxation
The effective tax rate has reduced to 23.7% (2009: 32.0%). This is despite an additional £1.8m of tax charges suffered with respect to the loss made on the disposal of CFO, mainly caused by the non-deductible write-off of goodwill (see note 4). Without this charge the tax rate would have been 19.6%. The Group has benefited from the release of some provisions established in earlier years following the resolution of related issues. The underlying rate is 24% (2009: 30%), with the improvement reflecting the impact of recessionary conditions on the international mix of profits and efficiencies achieved through work to integrate the newly-acquired businesses into Group structures.

Profit after tax and earnings per share
Profit after tax increased by 1% to £38.2m, and gave rise to a similar increase in basic earnings per share from 151.2p to 152.5p. This was reduced by 12.4p because of the £3.1m post-tax loss incurred on the disposal and closure of CFO, including the tax charge discussed above. Normalised earnings per share, after removing all non-operating exceptional charges, increased by 8% to 164.0p and benefited by some 9p from the prior year tax adjustments.

Balance sheet
With £41.2m of cash and deposits, and net debt of £38.2m (less than one times EBITDA), the balance sheet remains robust. The goodwill of £110m arising on recent acquisitions reflects the strength of those businesses. The Economist Complex is carried at historic cost rather than current market value. The net liability position reflects this, as well as the strong dividend payments of recent years and the levels of income received in advance from our subscription customers.

Pensions
The Group operates a number of pension schemes. The UK defined benefit plan is the only defined-benefit scheme. As at March 31st 2010 this had a surplus, net of deferred tax, of £2.2m, compared with a deficit of £4.0m at March 31st 2009. The movement is largely due to an increase in asset values, though falling bond rates, higher inflation and improved longevity have increased the long-term liabilities significantly. The pension position remains sensitive to equity, bond and property-market conditions, and changes in inflation and interest rates.

Dividend
The Board proposed a second interim dividend payable just after the year end of 60.0p (£15.0m). The Board now proposes a final dividend of 10.0p, giving a total full-year proposed dividend per share, including the special dividend, of 134.1p (2009: 97.3p), an increase of 38%. Excluding special dividends, the total ongoing dividend (102.4p) is covered 1.5 times by current-year basic earnings per share.

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

The Group had net debt of £38.2m at the year end (2009: £12.9m net cash). This included two unsecured US-dollar denominated loans of $121m to fund recent acquisitions. The loan taken out to fund the acquisition of Capitol Advantage of $36.0m bears interest at US LIBOR plus 3.0%, with 50% of the LIBOR element swapped out at a rate of

2.19%, and is repayable in four years. The second loan taken out partially to fund the CQ acquisition for $85.0m (before issue costs) bears interest at between 7.72% and 7.93% and is repayable in equal tranches from the fifth to the tenth year. The Group has a committed £50m facility (undrawn at the year end) expiring in July 2012 and undrawn overdraft facilities. Current facilities are considered to be adequate for the Group at this time. There is also a finance lease on the Economist Complex. Most of our cash not required as working capital is held in AAA-rated money market funds. These funds were yielding an average of 0.36% at the year end, reflecting a weighted average of the currencies concerned. At year end there were large amounts of cash held off deposit to meet the second interim dividend payment and other liabilities settled in April.

The main currency exposure of business transactions relates to US-dollar receipts from sales in the United States. The foreign-exchange risk on this and other smaller currency exposures is managed by the treasury department mainly through use of forward foreign-exchange contracts and currency options and through funding US acquisitions with US dollar-denominated loans. Foreign-exchange risk is only actively managed on currencies where the net exposure exceeds £3m per year. The split of net cash balances between dollars and sterling in particular is kept under constant review. The Group does not hedge the translation of overseas profits into sterling. Financial assets which potentially subject the Group to credit risk consist principally of debtors and cash. The concentration of credit risk associated with debtors is minimised due to distribution over many customers in different countries and in different industries. Risks associated with the Group's cash are mitigated by the fact that these amounts are placed with high-quality financial institutions and in low-risk deposit funds. Counterparty limits approved by the treasury committee and notified to the Board are used to manage the risk of loss on deposits. The Group has not experienced any losses to date on its deposited cash.

The treasury department monitors the Group's exposure to changes in interest rates and an interest-rate hedge has been taken out on one US-dollar loan.

Cashflow

The Group demonstrated strong cash generation, with £63.4m of operating cashflow at a healthy conversion ratio to operating profits of 110%. The cash outflow before financing of £45.9m compares with an outflow last year of £3.1m. The significant outflow this year is due to the acquisition of CQ, a special dividend and additional pension contributions.

Foreign exchange

The translation of the Group's overseas trading results was affected by the stronger average US-dollar exchange rate. The average exchange rate was $1.58 in 2010, compared with $1.73 in 2009. Including hedging gains and losses, this improved operating profits by approximately £8.0m.

International Financial Reporting Standards

As a private company, the Group is able voluntarily to adopt International Financial Reporting Standards (IFRS). The Group has considered the potential impacts of IFRS adoption. The Board has again agreed to defer adoption until there is convergence with UK GAAP.

Chris Stibbs

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ECONOMIST NEWSPAPER LIMITED

We have audited the Group and parent company financial statements (the "financial statements") of The Economist Newspaper Limited for the year ended March 31st 2010, which comprise the consolidated profit and loss account, the consolidated and company balance sheet, the consolidated cashflow statement, the statement of total recognised gains and losses, the Group and company reconciliation in shareholders' funds, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the directors' statement of responsibilities (set out on page 23), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report, including the opinions, has been prepared for, and only for, the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at March 31st 2010 and of the Group's profit and cashflows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Philip Stokes
Senior Statutory Auditor
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

June 16th 2010

NOTE	Years ended March 31st	2010 £000	2009 £000
1	**Turnover**		
	Continuing operations	287,284	294,812
	Acquisitions	23,945	-
		311,229	**294,812**
	Discontinued operations	8,703	17,985
		319,932	**312,797**
	Cost of sales	(93,277)	(90,517)
	Gross profit	**226,655**	**222,280**
	Distribution costs	(31,775)	(31,299)
2	Marketing, development and other administrative costs	(132,772)	(133,404)
13	Goodwill amortisation	(4,573)	(1,870)
1	**Operating profit**	**57,535**	**55,707**
	Continuing operations	55,315	55,433
	Acquisitions	1,535	-
	Discontinued operations	685	274
		57,535	**55,707**
3	Profit on sale of fixed asset investments	354	-
4	Loss on sale and closure of businesses		
	- discontinued operations	(1,320)	-
	Profit on ordinary activities before finance charges	**56,569**	**55,707**
5	Net interest payable	(6,556)	(10)
1,6	**Profit on ordinary activities before taxation**	**50,013**	**55,697**
9	Taxation on profit on ordinary activities	(11,845)	(17,821)
	Profit for the year	**38,168**	**37,876**

Dividends proposed and unpaid at the year end were £17,517,000 (2009: £16,822,000). Dividends paid in the year were £32,863,000 (2009: £23,879,000).

12	**Basic earnings per share (pence)**	**152.5**	**151.2**
12	Diluted earnings per share (pence)	152.5	151.1
10	Dividends paid per share (pence)	131.3	95.3
	Dividend cover (times) before non-operating exceptional items	1.2	1.6

CONSOLIDATED BALANCE SHEET AT MARCH 31ST

NOTE		2010 £000	2009 £000
	Fixed assets		
13	Intangible assets	110,266	46,767
14	Tangible assets	22,063	22,482
		132,329	**69,249**
	Current assets		
15	Stocks and work-in-progress	1,637	2,686
16	Debtors: due within one year	57,498	55,624
17	Deferred taxation	10,130	6,349
23	Cash and deposits	41,153	42,354
		110,418	**107,013**
18	Creditors: amounts falling due within one year	(58,503)	(60,928)
	Unexpired subscriptions and deferred revenue	(109,222)	(96,045)
	Net current liabilities	**(57,307)**	**(49,960)**
	Total assets less current liabilities	**75,022**	**19,289**
19	Creditors: amounts falling due after more than one year	(76,239)	(27,753)
20	Provisions for liabilities and charges	(291)	(337)
	Net liabilities excluding pension and other post-retirement liabilities	**(1,508)**	**(8,801)**
24	Pension and other post-retirement obligations (net of deferred tax)	(281)	(6,292)
	Net liabilities	**(1,789)**	**(15,093)**
	Capital and reserves		
21	Called-up share capital	1,260	1,260
22	Profit and loss account	(3,049)	(16,353)
	Total shareholders' deficit	**(1,789)**	**(15,093)**

The company balance sheet is shown on page 58.

The financial statements were approved by the Board of directors and authorised for issue on June 15th 2010. They were signed on its behalf by:

Rupert Pennant-Rea
Chris Stibbs
Directors

The notes on pages 37-62 form an integral part of these financial statements.

NOTE	Years ended March 31st	2010 £000	2009 £000
23	**Net cash inflow from operating activities**	**63,407**	**56,690**
	Returns on investments and servicing of finance		
	Interest received	147	284
	Interest paid	(3,753)	(832)
	Debt issue costs	(812)	-
	Finance lease interest paid	(208)	(208)
		(4,626)	(756)
	Taxation		
	UK corporation tax paid	(10,457)	(8,248)
	Overseas tax paid	(1,913)	(4,058)
		(12,370)	(12,306)
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	(1,796)	(1,185)
	Acquisitions and disposals		
28	Purchase of subsidiary undertakings	(60,305)	(22,204)
28	Cash acquired with subsidiary undertaking	3	527
	Cash received from sale of business	2,250	-
3	Consideration on sale of fixed asset investment	354	-
		(57,698)	(21,677)
	Equity dividends paid to shareholders		
10	Amounts paid	(32,863)	(23,879)
	Net cash outflow before use of liquid resources and financing	**(45,946)**	**(3,113)**
	Management of liquid resources		
23	Cash drawn from/(placed on) short-term deposits	21,668	(19,358)
	Financing		
	Capital element of finance lease payments	(1)	(1)
	Purchase of own shares	(142)	(17)
	Drawdown of unsecured loan facility	62,705	38,088
	Repayment of unsecured loan facility	(14,782)	(17,427)
		47,780	20,643
23	**Increase/(decrease) in net cash**	**23,502**	**(1,828)**

Reconciliation of net cashflow to movement in net funds/(debt)

NOTE		2010 £000	2009 £000
	Increase/(decrease) in cash in the year	**23,502**	**(1,828)**
	Cash (inflow)/outflow from (decrease)/increase in liquid resources	(21,668)	19,358
	Cash outflow from decrease in lease financing	1	1
	Cash inflow from debt financing	(47,923)	(20,661)
	Change in net funds resulting from cashflows	**(46,088)**	**(3,130)**
	Other non-cash changes	757	-
	Exchange translation differences	(5,773)	(4,064)
	Movement in net funds in the year	(51,104)	(7,194)
	Net funds brought forward at April 1st	10,390	17,584
23	**Net (debt)/funds carried forward at March 31st**	**(40,714)**	**10,390**

Cash and deposits at March 31st 2010 amounted to £41,153,000 (2009: £42,354,000).

Statement of total recognised gains and losses

Years ended March 31st

NOTE		2010 £000	2009 £000
	Profit for the financial year	38,168	37,876
	Exchange translation differences arising on consolidation	1,813	(7,112)
24	Actual return less expected return on pension scheme assets	34,139	(38,867)
24	Experience gains arising on the pension scheme liabilities	7,866	1,430
24	Changes in assumptions underlying the present value of pension scheme	(39,716)	17,384
	Actuarial (loss)/gain on other post-retirement benefits	(246)	117
	UK deferred tax attributable to the actuarial (gain)/loss	(572)	5,582
	Total recognised gains for the year	**41,452**	**16,410**

Reconciliation of movements in equity shareholders' deficit

Years ended March 31st

		2010 £000	2009 £000
	Profit for the year	38,168	37,876
	Dividend paid	(32,863)	(23,879)
	Retained profit	5,305	13,997
22	Other recognised gains/(losses)	1,471	(14,354)
22	Net purchase of own shares	(142)	(17)
22	Exchange translation differences arising on consolidation	1,813	(7,112)
22	Goodwill previously written off relating to business now sold	4,857	-
	Net addition to/(deduction from) shareholders' funds	**13,304**	**(7,486)**
	Opening shareholders' deficit	(15,093)	(7,607)
	Closing shareholders' deficit	**(1,789)**	**(15,093)**

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.

A summary of the more important Group accounting policies is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards.

Basis of consolidation

The consolidated accounts include the accounts of the company (The Economist Newspaper Limited) and its subsidiary undertakings (the Group/ The Economist Group) made up to March 31st. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes.

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. Acquisitions are accounted for using the acquisition method.

Where the Group or company owns a non-controlling interest, held for the long term, in the equity share capital of another company, and is in a position to exercise significant influence over that company, the interest is equity-accounted and the company treated as an associated undertaking. Otherwise, the interest is accounted for as either a fixed or current asset investment.

Turnover

Turnover represents sales to third parties from circulation, subscriptions, advertising, sponsorship, delegate fees and rental income net of advertising agency commissions and trade discounts, and excluding intra-Group sales, value-added tax and other sales-related taxes.

Circulation and advertising revenue relating to a newspaper or other publication is recognised on the date it goes on sale, or is dispatched, in the case of free publications. Subscription revenues are recognised in the profit and loss account over the period of the subscription. Sponsorship and delegate revenue arising in the year relating to future events is deferred until those events have taken place.

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

Foreign currencies

Balance sheets have been translated into sterling at the rates of exchange ruling at the balance-sheet date. Exchange differences arising from the retranslation of the opening net investments to closing rates are recorded as movements on reserves. Exchange differences arising on the retranslation of borrowings taken out to finance overseas investments are taken to reserves, together with any tax-related effects. All other exchange differences are included in the profit and loss account. Profit and loss accounts and cashflows are translated into sterling at the average rate for the year. The Group enters into forward currency and option contracts to hedge currency exposures. Losses or realised gains arising from the closing of contracts are included within the trading results for the year. Other gains or losses on open contracts are deferred.

Share-based payments

The Group awards certain employees entitlements to cash-settled share-based payments in accordance with its long-term incentive scheme arrangements. The fair value of these awards is measured and updated using an appropriate option pricing model. The key assumptions used in calculating the fair value of the awards are the discount rate, the Group's share price volatility, dividend yield, risk-free rate of return and expected option lives. These assumptions are set out in note 11. Management regularly performs a true-up of the estimate of the number of awards that are expected to vest. This is dependent on the anticipated number of leavers. In addition to the key assumptions above, the value of the awards is dependent upon the future profits of the Group and the Group's relative market performance, which management is required to estimate. A liability equal to the portion of the services received is recognised at the current fair value determined at each balance-sheet date for cash-settled share-based payments.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised as an intangible asset and written off over its useful economic life. Goodwill arising on the acquisition of a foreign entity which has been funded by external borrowings is treated as an asset of the foreign entity and translated at the closing rate. Prior to April 1st 1998, purchased goodwill arising on consolidation was written off to reserves in the year in which it arose, in accordance with the accounting standards then in force. 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. Goodwill arising on acquisitions before April 1st 1998 has been deducted from reserves and is charged to the profit and loss account on disposal or closure of the business to which it relates.

Goodwill is provided to write off cost over the acquisition's useful economic life as follows:

Subsidiary acquired	Useful economic life (years)
EuroFinance	20
GalleryWatch	20
Capitol Advantage	20
Congressional Quarterly	20

Where there has been an indication of impairment of goodwill, it is the Group's policy to review its carrying value. 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 for the year.

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. Deferred conference costs represent costs incurred for conferences planned to be held after the balance-sheet date.

Leased assets

Where the Group has entered into finance leases, the obligations to the lessor are shown as part of the borrowings and the corresponding assets are treated as fixed assets. Leases are regarded as finance leases where their terms transfer to the lessee substantially all the benefits and burdens of ownership other than the right to retain legal title. Depreciation is calculated in order to write off the amounts capitalised over the estimated useful lives of the assets by equal annual instalments. Rentals payable under finance leases are apportioned between capital and interest, the interest portion being charged to the profit and loss account and the capital portions reducing the obligations to the lessor.

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Operating lease incentives received are initially deferred and subsequently recognised over the minimum contract period. Rental income is recognised on a straight-line basis over the lease term.

Provision is made for onerous lease rentals payable on empty properties and where letting receipts are anticipated to be less than cost. Provision is made for the period that the directors consider that the property will remain unlet or unutilised, or to the extent that there is a shortfall in net rental income. The time value of money in respect of onerous lease provisions has been recognised by discounting the future payments to net present values.

Investments

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

Share schemes

Shares held by the employee share ownership plan (ESOP) are shown at cost and recorded as a deduction in arriving at shareholders' funds. The fair market value of shares granted to employees is charged to the profit and loss account over the period to which the employee's performance relates.

Trade debtors

Trade debtors are stated less provision for bad and doubtful debts and anticipated future sales returns.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered), using the tax rates and laws that have been enacted or substantively enacted by the balance-sheet date.

Deferred taxation

Deferred taxation is fully provided, using the liability method, at the expected applicable rates, on all timing differences between accounting and taxation treatments which are expected to reverse in the foreseeable future.

No provision is made for any additional taxation which would arise on the remittance of profits retained, where there is no intention to remit such profits. A deferred tax asset is only recognised to the extent that it is more likely than not that there will be taxable profits from which the future reversal of the timing differences can be deducted.

Unexpired subscriptions and deferred revenue

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

Pension and other post-retirement benefits

The cost of providing pensions under defined contribution schemes is charged against profits as they become payable.

For the defined benefit and post-retirement medical schemes, pension scheme assets are measured using fair values and the liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term to the liability. The pension scheme deficit is recognised in full, net of deferred tax, and presented on the face of the balance sheet.

The movement in the scheme deficit is split between operating and financial items in the profit and loss account and the statement of total recognised gains and losses. The full service cost of the pension provision is charged to operating profit. The net impact of the unwinding of the discount rate on scheme liabilities and the expected return of the scheme assets is charged to other finance costs. Any difference between the expected return on assets and that actually achieved is charged through the statement of total recognised gains and losses. Similarly, any differences that arise from experience or assumption changes are charged through the statement of total recognised gains and losses.

Finance costs

Finance costs which are directly attributable to the cost of construction of a tangible fixed asset are capitalised as part of the costs of that tangible fixed asset.

Website development costs

Design and content costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of leasehold assets includes directly attributable finance costs. Depreciation is provided to write off cost over the asset’s useful economic life as follows:

Asset type	Depreciation method	Depreciation rate per year
Long and short leasehold property	Straight-line basis	Duration of lease
Fixtures and fittings	Straight-line basis	14%
Plant and machinery	Straight-line basis	10-33%
Equipment	Straight-line basis	14-50%
Motor vehicles	Straight-line basis	25%
Major software systems	Straight-line basis	20-33%

NOTE 1 Segment information

Prior year restatement

The 2009 analysis of turnover and operating profit by regional business has been restated where appropriate. The results of the Washington-based CQ-Roll Call Group have been included in the Americas regional business segment as disclosure of the turnover and operating profits of these businesses would, in the directors' view, be seriously prejudicial to the commercial interests of the Group. The restatement also reflects changes to the management structures of the other regional businesses after the Group was regionalised last year.

	Turnover		Operating profit	
	2010	2009 Restated	2010	2009 Restated
Analysis by regional business	£000	£000	£000	£000
United Kingdom	54,465	56,377	16,375	15,320
CEMEA	72,411	82,085	12,193	15,324
Americas and CQ-Roll Call Group	160,125	137,088	24,707	21,058
Asia	29,011	33,127	640	604
Other businesses	3,920	4,120	3,620	3,401
	319,932	312,797	57,535	55,707

Other businesses include Ryder Street Properties (which owns and manages the Economist Complex in London). The Americas turnover includes £23,945,000 in respect of acquisitions and its operating profit includes £1,535,000.

The segmental analysis above includes the following for the discontinued CFO businesses:

	Turnover		Operating profit	
	2010	2009	2010	2009
	£000	£000	£000	£000
CEMEA	454	2,318	(117)	(509)
Americas	8,249	14,305	747	1,803
Asia	-	1,362	55	(1,020)
	8,703	17,985	685	274

NOTE 1 Segment information (continued)

Analysis by origin of legal entity	Turnover		Profit before tax		Net liabilities	
	2010	2009	2010	2009	2010	2009
	£000	£000	£000	£000	£000	£000
United Kingdom	182,442	194,654	37,151	40,162	(78,705)	(31,789)
Europe	5,194	2,529	1,574	295	547	1,720
North America	123,950	106,420	11,926	13,271	73,167	10,366
Asia	8,346	9,194	(638)	1,969	3,202	4,610
	319,932	312,797	50,013	55,697	(1,789)	(15,093)

The above analysis by origin of legal entity in North America includes £23,945,000 turnover, £1,535,000 profit before tax and £2,115,000 net liabilities in respect of acquisitions.

The following is included for discontinued businesses:

	Turnover		Profit before tax		Net liabilities	
	2010	2009	2010	2009	2010	2009
	£000	£000	£000	£000	£000	£000
United Kingdom	454	2,318	(432)	(509)	(8,322)	(7,890)
North America	8,249	15,667	(153)	767	4,775	(468)
	8,703	17,985	(585)	258	(3,547)	(8,358)

Turnover by customer location	2010	2009 Restated
	£000	£000
United Kingdom	52,098	53,395
North America	161,270	138,474
Europe	59,321	71,162
Asia	30,456	34,112
Other	16,787	15,654
	319,932	312,797

The above turnover by customer location includes £23,945,000 turnover in respect of acquisitions in North America.

The following is included for discontinued businesses:

	2010	2009
	£000	£000
Europe	454	2,749
North America	8,249	13,849
Asia	-	1,387
	8,703	17,985

NOTE 2 Reorganisation costs

	2010 £000	2009 £000
Restructuring costs	(3,308)	(4,030)

The above restructuring costs are included within marketing, development and other administrative costs.

NOTE 3 Profit on sale of fixed asset investments

	2010 £000	2009 £000
Profit on sale of fixed asset investments	354	-

The profit for the year related to cash released from escrow following the sale in 2008 of the Group's minority interest in Commonwealth Business Media, Inc, a US corporation.

NOTE 4 Loss on sale and closure of businesses

	2010 £000	2009 £000
Gain on disposal of net tangible assets	3,861	-
Goodwill previously eliminated against reserves	(4,857)	-
Business closure costs	(324)	-
Loss on sale and closure of businesses before tax	(1,320)	-
Taxation	(1,787)	-
Loss on sale and closure of businesses after tax	(3,107)	-

On January 11th 2010, the Group sold the trade and assets of CFO Publishing Corporation (USA) for $6,100,000 cash and $3,900,000 loan notes and a 38% minority shareholding in the newly-incorporated owner of the CFO business, CFO Publishing Holdings, Inc. No value is attributed to the 38% equity interest; this is accounted for as an investment rather than as an associate. On July 31st 2009, the Group closed the European operations of CFO.

NOTE 5 Net interest payable

	2010	2009
	£000	£000
Interest receivable	147	284
Interest payable and similar charges	(5,128)	(1,129)
Other finance (charges)/income	(1,575)	835
	(6,556)	(10)
Interest payable on bank overdrafts and loans	(1,971)	(921)
Amortisation of issue costs of bank loan	(54)	-
Interest payable on other loans	(2,895)	-
Interest payable on finance lease	(208)	(208)
Interest payable and similar charges	(5,128)	(1,129)
Unwinding of discounts on onerous property contract provisions	(25)	(14)
Net return on pension scheme and other post-retirement liabilities	(1,550)	849
Other finance (charges)/income	(1,575)	835

NOTE 6 Profit on ordinary activities before taxation

	2010	2009
Profit on ordinary activities before taxation is stated after charging the following:	£000	£000
Auditor's remuneration		
Audit of the company's annual accounts	116	114
Fees payable to the company's auditor and its associates for other services		
Audit of the company's subsidiaries	233	175
Further assurance services	38	75
Tax advice and compliance	305	492
Corporate finance services	360	211
Other services	155	-
Operating lease rentals		
Plant and equipment	268	220
Land and buildings	6,785	5,337
Depreciation and amortisation		
On owned assets	2,793	2,720
On assets held by finance lease	55	55
Amortisation of goodwill	4,573	1,870
Costs incurred in reorganising acquired businesses	1,138	77

NOTE 7 Director's emoluments

The details of directors' emoluments are on table 2, page 26, within the directors' report on remuneration.

NOTE 8 Employees

The year-end number of employees, including executive directors, was as follows:

	2010		2009
	Average	Year-end	Year-end
United Kingdom	199	196	213
CEMEA	268	264	304
Americas and CQ-Roll Call Group	649	652	512
Asia	169	169	161
	1,285	1,281	1,190

The average number of employees during 2009 amounted to 1,234. Employee numbers by region were not recorded prior to the mid-year regional restructure in 2009, and therefore the average number of employees cannot be presented on a comparable basis.

	2010	2009
Employment costs including executive directors' emoluments	£000	£000
Wages and salaries	90,077	84,821
Social security costs	8,420	7,435
Defined benefit pension costs	2,289	2,338
Other pension costs	2,847	2,467
	103,633	97,061

Wages and salaries include £3,239,000 (2009: £4,030,000) restructuring-related costs.

NOTE 9 Taxation on profit on ordinary activities

The taxation charge based on the result for the year is made up as follows:	2010 £000	2009 £000
UK corporation tax at 28% (2009: 28%)	9,495	10,013
Overseas taxation	4,168	4,753
UK deferred taxation	869	2,005
Overseas deferred taxation	385	690
	14,917	17,461
Adjustments in respect of previous years		
UK corporation tax	(269)	1,282
Overseas taxation	(3,705)	(630)
UK deferred taxation (note 17)	372	(1,185)
Overseas deferred taxation	530	893
	11,845	17,821

Included within the deferred tax charge for the year is an FRS 17 charge of £1,751,000 (2009: £1,127,491). The tax assessed for the year is lower (2009: lower) than the standard rate of corporation tax in the UK (28%).

Current tax rate reconciliation	2010 %	2009 %
UK tax rate	28.0	28.0
Expenses not deductible for tax purposes	0.3	(0.3)
Depreciation in excess of capital allowances	0.4	0.1
Movement in provisions	4.0	0.2
Overseas tax rates	1.1	0.8
Timing of US goodwill amortisation	0.7	(0.1)
Deferred income	(6.8)	(0.3)
Overseas tax losses	5.0	-
FRS 17 pension movement	(3.5)	(1.9)
Other	(1.8)	-
Adjustments to tax charge in respect of previous periods	(8.0)	1.2
Current tax rate reflected in earnings	19.4	27.7

Future tax charges will be affected by tax-rate and other legislative changes in the jurisdictions in which the Group operates. Changes to the geographical distribution of taxable profits and exchange rates will also affect future tax charges due to the differences in tax rates applicable in different countries.

NOTE 10 Dividends

Cash dividends paid	2010 £000	2009 £000
Final dividend paid of 67.2p per share (2009: 65.2p per share)	16,822	16,323
First interim dividend paid of 32.4p per share (2009: 30.1p per share)	8,108	7,556
Special dividend paid of 31.7p per share (2009: nil)	7,933	-
	32,863	23,879

All shareholders other than holders of the trust shares (see note 21) receive the above dividend per share. Dividends amounting to £224,542 (2009: £137,000) in respect of the company's shares held by the ESOP (note 22) have been deducted in arriving at the aggregate of dividends paid.

Dividends proposed in respect of the year	2010 £000	2009 £000
Final dividend proposed of 10.0p per share (2009: 67.2p per share)	2,502	16,822
First interim dividend paid of 32.4p per share (2009: 30.1p per share)	8,108	7,556
Second interim dividend proposed of 60.0p per share (2009: nil)	15,015	-
Special dividend paid of 31.7p per share (2009: nil)	7,933	-
	33,558	24,378

The directors are proposing a final dividend in respect of the financial year ending March 31st 2010 of 10.0p. Dividends amounting to £123,000 in respect of the company's shares held by the ESOP have been deducted in arriving at the total dividend proposed of £17,517,000. The proposed second interim dividend was paid on April 1st 2010 and has not been recognised as a liability. The proposed final dividend is subject to approval by shareholders and has not been recognised as a liability in these financial statements.

NOTE 11 Share-based payments

The Economist Group operates the following share-based incentive schemes:

Current plans

Executive long-term plan

Units are granted to executive directors and senior employees. These awards are taken in cash form only after three years. The value of the award is based on share price, the earnings per share compound annual growth rate and the Group's total shareholder return (TSR) compared with a group of selected comparator companies over the period of the scheme.

Restricted share scheme

This scheme is for key employees who have been awarded a right to acquire ordinary shares at a nominal price between two and six years after the date of the award. The Group has the discretion to pay out shares or cash on exercise.

The Group has recorded total liabilities at March 31st 2010 of £4,913,000 (2009: £6,201,000), of which £3,092,000 (2009: £3,716,000) relates to awards which had vested at the year end. The total expense recognised with respect to cash-settled, share-based payment transactions was £2,345,000 (2009: £2,381,000).

NOTE 11 Share-based payments (continued)

The fair values of the long-term schemes were calculated using a Black Scholes option pricing model, except for the schemes including a TSR ranking performance condition where a Monte Carlo model was used. The inputs to the models were as follows:

	At March 31st 2010	At March 31st 2009
Weighted average share price (£)	21.91	19.97
Weighted average exercise price (£)	20.54	21.02
Expected volatility (%)	47	47
Expected life (months)	18	18
Risk-free rate (%)	1.0	1.0
Expected dividend yield (%)	2.5	2.3
Forfeiture rate (%)	5	5

The expected volatility is determined by calculating the historical volatility of the Group's share price over the previous ten years and by calculating the historical TSR volatility of the comparator group over the relevant life of the schemes.

During the year, 346,000 long-term plan units (2009: 300,000) were granted with a weighted average fair value at March 31st of £6.51 (2009: £7.14). 273,000 long-term plan units (2009: 360,000) vested at March 31st, with a weighted average fair value at March 31st of £9.69 (2009: £8.52).

Special dividends are included in either the fair value calculation or are reinvested as further units.

	At March 31st 2010		At March 31st 2009	
Restricted share scheme	No. of options	Weighted average share price (£)	No. of options	Weighted average share price (£)
Outstanding at the beginning of the year	13,315	20.91	47,885	23.34
Granted during the year	-	-	-	-
Exercised during the year	(8,237)	21.59	(34,570)	24.76
Outstanding at the end of the year	5,078	23.84	13,315	20.91
Exercisable at the year end	5,078	23.84	12,068	20.91

The weighted average remaining contractual life for outstanding options at March 31st 2010 was nil months (2009: 12 months).

NOTE 12 Earnings per share

Basic earnings per share are calculated on earnings of £38,168,000 (2009: £37,876,000) and the 25,200,000 ordinary and special shares in issue (2009: 25,200,000) less those held by the ESOP, being on average 172,000 shares (2009: 155,000), resulting in a weighted average number of shares of 25,028,000 (2009: 25,045,000). Earnings per share before non-operating exceptional items are based on a profit of £41,045,000 (2009: £37,876,000).

	2010			2009		
	Earnings £000	Weighted average number of shares 000s	Earnings per share pence	Earnings £000	Weighted average number of shares 000s	Earnings per share pence
Basic earnings per share	38,168	25,028	152.5	37,876	25,045	151.2
Adjustment in respect of non-operating exceptional items						
- loss on sale and closure of discontinued businesses	1,320	25,028	5.3	-	25,045	-
- profit on sale of fixed				-		
asset investments	(354)	25,028	(1.4)	-	25,045	-
- attributable taxation	1,911	25,028	7.6	-	25,045	-
Normalised earnings per share	41,045	25,028	164.0	37,876	25,045	151.2

Diluted earnings per share are calculated by adjusting the weighted average number of shares to take account of shares held by the ESOP which are under option to employees.

	2010	2009
Weighted average number of shares (000s)	25,028	25,045
Effect of dilutive share options (000s)	7	20
Weighted average number of shares (000s) for diluted earnings	25,035	25,065

NOTE 13 Intangible fixed assets

	Goodwill £000
Cost	
At April 1st 2009	50,461
Additions (note 28)	62,888
Exchange translation differences	5,257
At March 31st 2010	118,606
Accumulated amortisation	
At April 1st 2009	3,694
Charge for the year	4,573
Exchange translation differences	73
At March 31st 2010	8,340
Net book value at March 31st 2010	110,266
Net book value at March 31st 2009	46,767

The goodwill arising on the acquisition of Congressional Quarterly is being amortised on a straight-line basis over 20 years.

NOTE 14 Tangible fixed assets

Group	Leasehold buildings Long £000	Leasehold buildings Short £000	Plant and machinery £000	Equipment £000	Total £000
Cost					
At April 1st 2009	31,977	7,422	3,389	25,578	68,366
Additions	85	252	-	1,459	1,796
Acquisitions	802	-	-	485	1,287
Disposals	(187)	(3,450)	-	(1,712)	(5,349)
Transfers	-	-	-	-	-
Exchange translation differences	(10)	(458)	(29)	(426)	(923)
At March 31st 2010	32,667	3,766	3,360	25,384	65,177
Accumulated depreciation					
At April 1st 2009	14,537	6,043	3,300	22,004	45,884
Provided during year	362	690	9	1,787	2,848
Disposals	(108)	(3,410)	-	(1,323)	(4,841)
Transfers	-	-	(2)	2	-
Exchange translation differences	(8)	(433)	(27)	(309)	(777)
At March 31st 2010	14,783	2,890	3,280	22,161	43,114
Net book value at March 31st 2010	17,884	876	80	3,223	22,063
Net book value at March 31st 2009	17,440	1,379	89	3,574	22,482

The directors have been advised that the market value of the Economist Complex at March 31st 2010 was £61,000,000 (2009: £55,000,000); the book value is £16,867,000 (2009: £17,144,000) and the balance-sheet value is £14,347,000 (2009: £14,622,000) after deducting the finance lease payable. Included within the cost of leasehold buildings is capitalised interest of £2,312,500 (2009: £2,312,500).

Assets held under finance lease and capitalised in long leasehold buildings were:

	2010 £000	2009 £000
Cost or valuation	6,798	6,798
Aggregate depreciation	(1,299)	(1,244)
Net book value	5,499	5,554

NOTE 15 Stocks and work-in-progress

	2010 £000	2009 £000
Raw materials	1,210	1,946
Work-in-progress	387	722
Finished goods	40	18
	1,637	2,686

NOTE 16 Debtors

Due within one year	2010 £000	2009 £000
Trade debtors	43,254	43,620
Other debtors	5,065	1,663
Prepayments and accrued income	8,227	8,508
Tax recoverable	952	1,833
	57,498	55,624

Other debtors includes loan notes amounting to £2,586,000 received in part consideration for the sale of the Group's majority interest in the trade and assets of CFO Publishing Corporation (USA). There are two loan notes for $1,200,000 and $2,700,000 bearing interest at 15% and 5% respectively. The loan notes are redeemable on January 11th 2017 and July 11th 2017.

NOTE 17 Deferred taxation

Summary of movements in deferred tax asset	£000
At April 1st 2009	6,349
Charge to the profit and loss account	(405)
Acquisitions	4,346
Exchange difference	(160)
At March 31st 2010	10,130

The assets recognised for deferred taxation under the liability method are:

	2010 £000	2009 £000
Excess of depreciation over capital allowances	740	1,204
Loss relief	3,861	1,254
Other timing differences	5,529	3,891
	10,130	6,349

The Group has accumulated trading losses of £5,859,000 (2009: £6,586,000) in Asia. The Group has recognised Hong Kong trading losses to the value of the losses expected to be used in the next three years.

A deferred tax asset of £3,260,000 (2009: £1,656,000) has been recognised for carried-forward US federal tax losses in the United States on the basis that forecast profits in the United States against which the tax asset can be recovered will arise. A deferred tax asset of £527,000 (2009: £419,000) has been recognised in respect of US state income tax losses carried forward.

NOTE 18 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Bank loans and overdrafts (note 19)	5,627	4,210
Trade creditors	9,842	9,359
Other creditors including taxation and social security	14,557	19,665
Accruals	28,477	27,694
	58,503	60,928
Other creditors including taxation and social security comprise:		
Corporation tax	6,430	10,362
Other tax and social security payable	1,948	1,496
Other creditors	6,179	7,807
	14,557	19,665

NOTE 19 Creditors: amounts falling due after more than one year

	2010 £000	2009 £000
Finance leases	2,520	2,521
7.93% unsecured loan note 2019-20	16,329	-
7.72% unsecured loan note 2019-20	39,185	-
Unsecured bank loan	18,205	25,232
	76,239	27,753

Maturity of debt		
In one year or less, or on demand	5,627	4,210
In more than one year, but not more than two years	7,201	5,960
In more than two years, but not more than five years	19,977	19,272
In more than five years	46,541	-
	79,346	29,442

The Group has bank loans of £79,346,000 as at March 31st 2010 (2009: £29,442,000). The Group has an unsecured three-year committed £50m facility. The Group has undrawn overdraft facilities which are subject to review by the end of December 2010.

The unsecured bank loan was taken out to finance the acquisition of Capitol Advantage LLC and is denominated in US dollars and bears interest at US-dollar LIBOR plus 3.0%. The Group has entered into a swap arrangement to fix LIBOR at 2.19% for 50% of the interest payable. The US dollar-denominated loans were revalued at the closing exchange rate and resulted in an unrealised gain of £1,829,000 (2009: loss of £8,781,000).

NOTE 19 Creditors: amounts falling due after more than one year(continued)

The company entered into a ten-year committed loan note arrangement in August 2009 to fund the acquisition of Congressional Quarterly. The loan notes are repayable annually in equal instalments from the fifth to the tenth year after inception. The unsecured loan notes were drawn down in two tranches and are stated net of unamortised issue costs of £757,000 (2009: nil). The company incurred total issue costs of £812,000. These costs, together with the interest expense, are all allocated to the profit and loss account over the ten-year term of the facility at a constant carrying amount. The US dollar-denominated loan notes were valued at the closing exchange rate and resulted in an unrealised loss of £4,566,000.

Maturity of finance leases	2010 £000	2009 £000
Future minimum payments under finance leases were as follows:		
Within one year	1	1
In more than one year, but not more than two years	1	1
In more than two years, but not more than five years	4	4
After five years	2,515	2,516
	2,521	2,522

The finance lease on the Economist Complex is repayable in quarterly instalments until 2111, at an interest rate of 4.3%.

NOTE 20 Provisions for liabilities and charges

Onerous property leases	£000
At April 1st 2009	337
Utilised in year	(423)
Charge to the profit and loss account	393
Unwinding of discount	25
Exchange difference	(41)
At March 31st 2010	291

The provision for onerous leases is expected to unwind over the next year.

NOTE 21 Equity share capital

	Authorised		Issued and fully paid	
At March 31st 2010 and 2009	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 20. The trust shares participate in a distribution of capital only to a limited extent and accordingly are not treated as equity share capital.

NOTE 22 Reserves

Consolidated profit and loss account	2010 £000	2009 £000
At April 1st	(16,353)	(8,867)
Retained profit for the year	5,305	13,997
Other recognised gains/(losses) relating to the year	1,471	(14,354)
Goodwill resurrected on sale of business	4,857	-
Net purchase of own shares	(142)	(17)
Exchange translation differences arising on consolidation	1,813	(7,112)
At March 31st	(3,049)	(16,353)

The cumulative goodwill written off to profit and loss reserves by the Group is £17,943,000 (2009: £22,800,000) and arises mainly from the purchase of Business International in 1986 and Roll Call, Inc in 1992 and 1993. A portion of the goodwill relating to the acquisition of CFO Publishing Corporation (USA) in 1988, and previously written off to reserves, has been credited and taken against the profit on sale of the business during the year, resulting in a net loss.

At March 31st 2010, there were 175,028 ordinary shares (2009: 167,544) of 5p each with a nominal value of £8,751 (2009: £8,377) in The Economist Newspaper Limited (own shares) held by the ESOP. The ESOP provides a limited market for ordinary shares of The Economist Newspaper Limited to be bought and sold. Employees of the Group can apply to buy shares from the ESOP twice a year at the latest indicative share valuation and all shareholders can offer to sell their shares to the ESOP. A subsidiary company, The Economist Group Trustee Company Limited, acts as trustee of the ESOP and handles all share transactions. The ESOP has not waived its entitlement to dividends on these shares. At March 31st 2010, 5,078 (2009: 13,315) of the shares are under option to employees and have been conditionally granted to them. The interest in own shares, included within reserves, is as follows:

	£000
At April 1st 2009	1,641
Net purchase of own shares	142
At March 31st 2010	1,783

NOTE 23 Notes to consolidated cashflow statement

Reconciliation of operating profit to net cash inflow from operating activities	2010 Continuing £000	2010 Discontinued £000	2010 Total £000	2009 Continuing £000	2009 Discontinued £000	2009 Total £000
Operating profit	56,850	685	57,535	55,433	274	55,707
Depreciation of tangible fixed assets	2,738	110	2,848	2,578	197	2,775
Goodwill amortisation	4,573	-	4,573	1,870	-	1,870
Loss on sale of tangible fixed assets	511	-	511	18	-	18
Decrease in stocks	751	116	867	420	163	583
Decrease in debtors	454	39	493	2,853	574	3,427
Decrease in creditors	(171)	(1,273)	(1,444)	(7,451)	(1,155)	(8,606)
Increase in unexpired subscriptions and deferred revenue	5,313	146	5,459	3,899	(167)	3,732
Decrease in provisions	(7,435)	-	(7,435)	(2,816)	-	(2,816)
Net cash inflow from operating activities	63,584	(177)	63,407	56,804	(114)	56,690

Net cash inflow from operating activities was reduced by £5,000,000 due to special defined-benefit pension contributions (2009: £nil).

Analysis of net funds/(debt)	At April 1st 2009 £000	Cashflow £000	Debt £000	Acquisitions £000	Other non-cash changes £000	Exchange movement £000	At March 31st 2010 £000
Cash in hand	11,389	23,499	-	3	-	(2,264)	32,627
Cash placed on short-term deposits	30,965	(21,668)	-	-	-	(771)	8,526
Total cash balances	42,354	1,831	-	3	-	(3,035)	41,153
Debt due within one year	(4,210)	-	3,782	-	(5,627)	428	(5,627)
Debt due after one year	(25,232)	-	(51,705)	-	6,384	(3,166)	(73,719)
Finance leases due within one year	(1)	1	-	-	(1)	-	(1)
Finance leases due after one year	(2,521)	-	-	-	1	-	(2,520)
Net funds/(debt)	10,390	1,832	(47,923)	3	757	(5,773)	(40,714)

At March 31st 2010 cash balances included £1,929,000 (2009: £1,828,000) of deposits collected from tenants of the Group's property business. This cash is only accessible in the event of the tenant defaulting.

NOTE 24 Pension and other post-retirement liabilities

Analysis of pension and other post-retirement liabilities and assets (net of deferred tax)	2010 £000	2009 £000
UK Group scheme	2,164	(3,987)
Post-retirement benefits	(2,445)	(2,305)
	(281)	(6,292)

The Group operates pension schemes for most of its employees throughout the world, which are funded by the Group. The main scheme for UK staff who joined before 2003 (the UK Group scheme) provides funded defined benefits. The scheme has a defined contribution underpin and provides for those employees who joined before 2003, for the better of defined benefit and defined contribution benefits. Defined contribution schemes are operated for UK and non-UK staff. In addition, the Group provides unfunded, unapproved pension arrangements in respect of certain employees. 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 defined-benefit scheme has been closed to new members since January 1st 2003; a defined contribution scheme is now available to new joiners. As a result, under the projected unit credit method, the current service cost is expected to increase as members approach retirement. The company contributed 21.7% of pensionable salaries and £350,000 to fund ongoing service costs and scheme expenses. It also contributed £6,292,000 in the year to repay the deficit. The best estimate of contributions expected to be paid to the scheme in 2011 is £3,622,000.

The most recent full actuarial valuation of the UK defined-benefit scheme was at January 1st 2007. This showed the market value of assets of the main UK scheme to be £156,656,000. The actuarial valuation of pension liabilities was £181,472,000, leaving a deficit of £24,816,000. The actuarial method used for the valuation was the projected unit credit method. The Minimum Funding Requirement was replaced by the Scheme Specific Funding (SSF) regulations from completion of the January 1st 2007 valuation. The foregoing liabilities represent the SSF Technical Provisions as agreed by the Group and the trustees. The SSF level of funding was 86%. The valuation was updated to March 31st 2007 and showed the market value of assets to be £159,218,000 and the actuarial valuation of pension liabilities £171,112,000, leaving a deficit of £11,894,000. The March 2007 valuation was used as a basis for determining the ongoing company funding rate, effective December 1st 2007. The next valuation is currently being performed with an effective date as of January 1st 2010 in accordance with the statutory funding objective. The results are not yet available.

The FRS 17 valuation reflects HM Revenue and Custom (HMRC) rules relating to commutation of tax-free cash effective April 6th 2006. Past scheme experience indicates that the majority of retirees take the maximum level of cash available. Cash commutation factors, which are regularly reviewed by the trustees, remained based around a factor of 13:1 at age 65.

The main overseas schemes and one UK scheme are based on defined contributions; amounts totalling £473,000 (2009: £349,000) were accrued in respect of these schemes at year end.

NOTE 24 Pension and other post-retirement liabilities (continued)

UK Group scheme

The valuation of the UK Group scheme has been updated by independent actuaries to March 31st 2010. The major assumptions used to determine this valuation are as follows:

	2010 %	2009 %	2008 %
Inflation	3.6	2.9	3.4
Increase in pensionable salaries	3.6	4.5	4.5
Increase in pensions in payment	3.3	2.8	3.2
Increase in deferred pensions	3.5	3.0	3.4
Discount rate for scheme liabilities	6.0	7.2	6.7

Salary increases have been assumed to be 1.5% for 2010 and 2011 and inflation thereafter. The mortality assumptions used in the valuation of the scheme are summarised in the table below, and have been selected to reflect the characteristics and the experience of the membership of the plan. This has been done by using the PNA00 tables with longevity projection based on medium cohort and the year in which the member was born, with a 1% per-annum underpin to future improvements (2009: PA92 tables, medium cohort, year of birth).

	2010 years	2009 years
Longevity at age 65 for current retirees		
- Men	87.3	87.0
- Women	89.7	89.8
Longevity at age 65 for future retirees, current age 45		
- Men	89.2	88.1
- Women	91.6	90.9

The assets of the UK Group scheme and the expected rate of return on these assets, shown as a weighted average, are as follows:

	Long-term rate of return expected at March 31st 2010 %	Value at March 31st 2010 £000	Long-term rate of return expected at March 31st 2009 %	Value at March 31st 2009 £000	Long-term rate of return expected at March 31st 2008 %	Value at March 31st 2008 £000
Equities	8.15	109,157	7.50	69,209	8.05	88,290
Government and corporate bonds	5.09	52,759	4.94	49,245	5.30	53,501
Property	8.15	18,193	7.50	9,317	6.80	13,392
Other	3.80	1,819	3.60	5,323	4.95	4,579
Total market value of assets		181,928		133,094		159,762
Present value of scheme liabilities		(178,922)		(138,632)		(149,272)
Surplus/(deficit) in the scheme		3,006		(5,538)		10,490
Related deferred tax (liability)/asset		(842)		1,551		(2,937)
Net pension surplus/(deficit)		2,164		(3,987)		7,553

NOTE 24 Pension and other post-retirement liabilities (continued)

Reconciliation of fair value of scheme assets	2010 £000	2009 £000
April 1st	133,094	159,762
Expected return on scheme assets	8,655	11,122
Actuarial gain/(loss)	34,139	(38,867)
Employee contributions	794	875
Benefits paid	(4,594)	(5,077)
Contributions paid by employer	9,840	5,279
March 31st	181,928	133,094

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed-interest investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £42,794,000 (2009: loss of £27,745,000).

Reconciliation of present value of scheme liabilities	2010 £000	2009 £000
April 1st	(138,632)	(149,272)
Current service cost	(2,289)	(2,713)
Curtailment gain	-	375
Employee contributions	(794)	(875)
Interest cost	(9,951)	(10,038)
Benefits paid	4,594	5,077
Actuarial (loss)/gain	(31,850)	18,814
March 31st	(178,922)	(138,632)

Sensitivity analysis of scheme liabilities

The sensitivity of the present value of the scheme's liabilities to changes in the principal assumptions used is set out below:

	Change in assumption by	Impact on scheme liabilities
Inflation	0.5%	7.3%
Pensionable salaries	0.5%	1.8%
Pensions in payment	0.5%	5.8%
Revaluation rate of deferred pensions	0.5%	1.9%
Discount rate	0.5%	8.8%

If the average expected age of death of pensioners lengthened by one year, the liabilities of the scheme would increase by 2.2% (2009: 1.7%).

Analysis of the amount charged to operating profit	2010 £000	2009 £000
Current service cost	2,289	2,713
Curtailment gain	-	(375)
Total operating charge	2,289	2,338

The total amount charged to operating profit is included within administrative expenses.

Analysis of the amount (charged)/credited to other finance (charges)/income	2010 £000	2009 £000
Expected return on pension scheme assets	8,655	11,122
Interest on pension scheme liabilities	(9,951)	(10,038)
Net (expense)/income	(1,296)	1,084

NOTE 24 Pension and other post-retirement liabilities (continued)

History of experience gains and losses

Difference between the actual and expected return on scheme assets	2010	2009	2008	2007	2006
Amount (£000)	34,139	(38,867)	(14,389)	446	14,153
Percentage of scheme assets	19%	(29%)	(9%)	-	11%
Experience gains/(losses) on scheme liabilities					
Amount (£000)	7,866	1,430	(191)	(433)	(1,415)
Percentage of the present value of the scheme liabilities	4%	1%	-	-	(1%)
Total actuarial gain/(loss) recognised in the statement of total recognised gains and losses					
Amount (£000)	2,289	(20,053)	16,714	5,374	(9,285)
Percentage of the present value of the scheme liabilities	1%	(14%)	11%	3%	(6%)

Since the adoption of FRS 17 in 2006 a cumulative net loss of £4,961,000 has been charged through the statement of total recognised gains and losses in respect of actuarial revaluations of the pension scheme.

Other post-retirement benefits

The Group provides post-retirement medical benefits to certain former employees. At March 31st 2010, 60 (2009: 62) retired employees were eligible to receive benefits. As at March 31st 2010 the Group estimated the present value of its accumulated post-retirement medical benefits obligation to be £2,445,000 (2009: £2,305,000), net of deferred taxation. These liabilities were confirmed by a qualified independent actuary. The principal assumptions used in estimating this obligation are healthcare premium cost escalation of 9% per year and a discount rate to represent the time value of money of 5.95% (2009: 7.15%). Actual premiums paid are being set against this provision, which is periodically assessed for adequacy.

NOTE 25 Financial commitments

Operating leases	2010	2009
Land and buildings, leases expiring	£000	£000
Within one year	910	602
Between two and five years	3,715	4,364
After five years	2,798	1,560
	7,423	6,526

Plant and equipment, leases expiring		
Within one year	76	47
Between two and five years	117	129
	193	176

NOTE 26 Capital commitments and contingent liabilities

At March 31st 2010, there was £nil capital expenditure contracted for but not provided in the financial statements (2009: £nil). There are contingent Group liabilities in respect of legal claims, indemnities, warranties and guarantees in relation to former businesses. None of these claims is expected to result in a material loss to the Group.

NOTE 27 Related party transactions

The Financial Times Limited holds 50% of the issued share capital in the company and is entitled to appoint six out of a total of 13 places for directors on the company's Board. The Financial Times Limited is a wholly-owned subsidiary of Pearson plc. The Group sold goods and services to Pearson plc and subsidiary companies to a total value of £43,773 (2009: £45,310) in the normal course of trade during the year, and acquired goods and services to a total value of £36,423 (2009: £35,108). The aggregate balances outstanding with these companies as at March 31st 2010 were £588 (2009: £450) due to the Group and £nil (2009: £682) due from the Group.

NOTE 28 Acquisitions and disposals

(a) Acquisition of Congressional Quarterly
On August 4th 2009, the Group acquired the trade and assets of Congressional Quarterly (CQ). CQ has been accounted for as an acquisition. The purchase consideration comprised cash of US$98,450,000, with no deferred contingent consideration. The following table sets out the book values for the identifiable assets and liabilities acquired and their fair value to the Group:

	Book value £000	Revaluations £000	Accounting policy alignment £000	Fair value to Group £000
Fixed assets				
Tangible assets	2,445	-	(1,158)	1,287
Intangible assets	5,072	(5,072)	-	-
Current assets				
Stock	14	14	(8)	20
Debtors	8,075	74	(3,815)	4,334
Deferred taxation	-	4,346	-	4,346
Cash	3	-	-	3
Total assets	15,609	(638)	(4,981)	9,990
Creditors				
Creditors due within one year	(1,164)	(89)	(432)	(1,685)
Deferred revenue	(13,759)	119	2,256	(11,384)
Net liabilities acquired	686	(608)	(3,157)	(3,079)
Acquisition fees				(1,274)
Goodwill				62,888
Consideration				58,535
Consideration satisfied by:				
Cash				58,535
Net cash outflow in respect of the acquisition comprised:				
Cash consideration				58,535
Cash at bank and in hand acquired				(3)
				58,532

NOTE 28 Acquisitions and disposals (continued)

The revaluation adjustment to intangible assets relates to the write-off of goodwill arising on investments made by CQ prior to its acquisition by the Group. The deferred taxation fair-value adjustment is to reflect the valuation of deferred revenue on a taxable basis. The accounting policy alignments represent the restatement of fixed assets, debtors, creditors and deferred revenue, in accordance with the Group's accounting policies and under UK GAAP.

CQ contributed an inflow of £2,797,000 to the Group's net operating cashflows, paid £3,460,000 in respect of interest, £nil in respect of taxation and used £246,000 for capital expenditure.

In its last financial year to December 31st 2008, the unaudited management accounts of CQ showed a profit after tax of £1,276,000. For the period since that date to the date of acquisition, CQ management accounts show £22,324,000 revenue, £17,139,000 costs and a £5,185,000 operating profit.

Goodwill is reviewed every year for any impairment. Given the performance of CQ since its acquisition, no impairment is required.

(b) Sale and closure of CFO

	2010 £000
Tangible fixed assets	122
Stocks	98
Debtors	2,689
Creditors	(1,427)
Goodwill previously written off to reserves	4,857
Sale and closure costs	1,170
Loss on disposal	(1,320)
Total sale proceeds	6,189
Sale proceeds comprised:	
Cash consideration	3,775
Loan notes	2,414

There was an operating cash outflow of £177,000 relating to CFO in the period and tax payments of £nil.

NOTE 29 Derivative financial instruments

The Group enters into forward exchange contracts and foreign currency option contracts to mitigate US-dollar currency exposures. The Group does not recognise the fair value of these derivative instruments on the balance sheet. During the year, the Group entered into 17 (2009: 24) forward exchange contracts, and 13 (2009: 11) option contracts. The fair value of forward contracts outstanding at the year end is a liability of £832,000 (2009: £1,334,000) and of the option contracts a liability of £785,000 (2009: £2,760,000). The Group has also taken out an interest swap to hedge the LIBOR component of interest payable on the US-dollar loan taken out to finance the acquisition of Capitol Advantage LLC. The fair value of the interest rate swap arrangement at March 31st was a liability of £223,000 (2009: £173,000).

Company balance sheet at March 31st

NOTE		2010 £000	2009 £000
	Fixed assets		
30	Tangible assets	2,558	3,060
30	Investments	177,966	183,435
		180,524	**186,495**
	Current assets		
30	Stocks and work-in-progress	575	704
30	Debtors: due after one year	183,393	128,839
30	Debtors: due within one year	44,417	55,709
30	Deferred taxation	2,352	1,302
	Cash and deposits	739	-
		231,476	**186,554**
30	Creditors: amounts falling due within one year	(58,567)	(60,752)
	Unexpired subscriptions and deferred revenue	(24,938)	(23,831)
	Net current assets	**147,971**	**101,971**
	Total assets less current liabilities	**328,495**	**288,466**
30	Provisions for liabilities and charges	(1,736)	(1,647)
	Creditors: amounts falling due after more than one year	(278,939)	(242,542)
	Net assets	**47,820**	**44,277**
	Capital and reserves		
21	Called-up share capital	1,260	1,260
30	Profit and loss account	46,560	43,017
	Total shareholders' funds	**47,820**	**44,277**

The financial statements were approved by the Board of directors and authorised for issue on June 15th 2010.
They were signed on its behalf by:

Rupert Pennant-Rea
Chris Stibbs
Directors

Company statement of total recognised gains and losses

Years ended March 31st

	2010 £000	2009 £000
Retained profit for the year	2,046	958
Exchange translation differences arising on foreign currency net investment hedge	1,798	(8,781)
Actuarial (loss)/gain on other post-retirement benefits	(221)	61
UK deferred tax attributable to the actuarial loss/(gain)	62	(16)
Total recognised gains/(losses) for the year	**3,685**	**(7,778)**

The notes on pages 59 to 62 form an integral part of these financial statements.

NOTE 30 Notes to company balance sheet

Tangible fixed assets	Leasehold buildings: short	Plant and machinery	Equipment	Total
Cost	£000	£000	£000	£000
At April 1st 2009	2,067	990	17,930	20,987
Additions	-	-	608	608
Disposals	-	-	(112)	(112)
Transfers from other Group companies	-	-	120	120
At March 31st 2010	2,067	990	18,546	21,603
Accumulated depreciation				
At April 1st 2009	978	990	15,959	17,927
Provided during year	295	-	861	1,156
Disposals	-	-	(104)	(104)
Transfers from other Group companies	-	-	66	66
At March 31st 2010	1,273	990	16,782	19,045
Net book value at March 31st 2010	794	-	1,764	2,558
Net book value at March 31st 2009	1,089	-	1,971	3,060

Investments (fixed assets)	Shares in Group companies
Cost and net book value	£000
At April 1st 2009	183,435
Additions	26
Exchange translation differences	(5,495)
At March 31st 2010	177,966

The principal wholly-owned subsidiary undertakings of the company which are consolidated are:

The Economist Intelligence Unit, NA, Inc (USA)
The Economist Intelligence Unit Limited*
The Economist Group (Investments) Limited
The Economist Newspaper, NA, Inc (USA)
Ryder Street Properties Limited
The Economist Group France S.a.r.l (France)*
The Economist Group Trustee Company Limited*
EuroFinance Conferences Limited*
CQ-Roll Call Group, Inc (USA)
TEG Massachusetts Corporation (USA)
The Economist Group (Asia/Pacific) Limited (Hong Kong)
The Economist Group (US Holdings) Limited
The Economist Newspaper Group, Inc (USA)
The Economist Group Singapore Pte Limited* (Singapore)
The Economist Group GmbH (Austria)
The Economist Group (Switzerland) SA* (Switzerland)
TEG India Private Limited (India)
The Economist (Shanghai) Management Consulting Company Limited (China)

These companies are engaged in publishing and related services and in the provision of business information except for Ryder Street Properties Limited, which rents and lets property. The Economist Group (US Holdings) Limited and The Economist Group (Investments) Limited act as investment companies for the Group. The Economist Group Trustee Company Limited is the trustee of the ESOP. All the companies above are incorporated and registered in England and Wales with the exception of those indicated. The companies marked * are directly owned by The Economist Newspaper Limited; all other companies are owned through wholly-owned subsidiaries. The Economist (Shanghai) Management Consulting Company Limited has a financial year ending December 31st. All other subsidiaries have a financial year ending March 31st.

In March 2010, the following companies were merged into Roll Call, Inc (now CQ-Roll Call Group, Inc): GalleryWatch.com, Inc (USA), LNNi.com, Inc (USA) and LNNI Services, Inc (USA).

NOTE 30 Notes to company balance sheet (continued)

Stocks and work-in-progress	2010 £000	2009 £000
Raw materials	548	645
Finished goods	27	59
	575	704

Debtors

Due after one year	2010 £000	2009 £000
Amounts owed by Group companies	183,393	128,839

Debtors owed by Group companies includes an amount of £164,011,000 which bears interest at an average rate of 5.9% per annum.

Due within one year	2010 £000	2009 £000
Trade debtors	19,120	21,665
Amounts owed by Group companies	22,277	30,303
Other debtors	471	942
Prepayments and accrued income	2,549	2,799
	44,417	55,709

Summary of movements in deferred tax asset	£000
At April 1st 2009	1,302
Adjustments to tax charge in respect of previous period	185
Credit to the profit and loss account	865
At March 31st 2010	2,352

Assets recognised for deferred taxation under the liability method are:	2010 £000	2009 £000
Excess of depreciation over capital allowances	310	250
Post-retirement benefits	279	-
Other timing differences	1,763	1,052
	2,352	1,302

Creditors: amounts falling due within one year	2010 £000	2009 £000
Bank loans and overdraft	5,627	4,210
Trade creditors	5,359	4,727
Amounts owed to Group companies	22,248	28,573
Other creditors including taxation and social security	7,820	6,269
Accruals	17,513	16,973
	58,567	60,752

Other creditors including taxation and social security comprise:		
Corporation tax	4,309	3,184
Other tax and social security payable	1,631	1,213
Other creditors	1,880	1,872
	7,820	6,269

NOTE 30 Notes to company balance sheet (continued)

Creditors: amounts falling due after one year	2010 £000	2009 £000
7.93% unsecured loan note 2019-20	16,329	-
7.72% unsecured loan note 2019-20	39,185	-
Unsecured bank loan	18,205	25,232
Amounts owed to Group companies	205,220	217,310
	278,939	242,542

The amounts owed to Group companies are non-interest bearing.

Maturity of unsecured bank loans and overdrafts		
In one year or less, or on demand	5,627	4,210
In more than one year, but not more than two years	7,200	5,960
In more than two years, but not more than five years	19,973	19,272
In more than five years	46,546	-
	79,346	29,442

The unsecured bank loan was taken out to finance the acquisition of Capitol Advantage LLC, is denominated in US dollars and bears interest based on US-dollar LIBOR plus 3.0%. The Group has entered into a swap arrangement to fix LIBOR at 2.19% for 50% of the interest payable. The US-dollar denominated loans were revalued at the closing exchange rate and resulted in an unrealised gain of £1,829,000 (2009: loss of £8,781,000).

The company entered into a ten-year committed loan note arrangement in August 2009 to fund the acquisition of Congressional Quarterly. The loan notes are repayable annually in equal instalments from the fifth to the tenth year after inception. The unsecured loan notes were drawn down in two tranches and are stated net of unamortised issue costs of £757,000 (2009: nil). The company incurred total issue costs of £812,000. These costs, together with the interest expense, are all allocated to the profit and loss account over the ten-year term of the facility at a constant carrying amount. The US-dollar denominated loan notes were valued at the closing exchange rate and resulted in an unrealised loss of £4,566,000.

Provisions for liabilities and charges	Provisions for post-retirement benefits £000
At April 1st	1,647
Charge to the profit and loss account	150
Charge to the statement of recognised gains and losses	53
Utilised in year	(114)
At March 31st	1,736

Pensions

The company has adopted FRS 17. Although The Economist Group Pension Plan is a combination of defined-benefit and contribution schemes, the company will account for the Plan as if it were a defined contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities of the Plan.

NOTE 30 Notes to company balance sheet (continued)

Reserves: profit and loss account	2010 £000	2009 £000
At April 1st	43,017	50,812
Profit for the financial year	2,046	958
Net purchase of own shares	(142)	(17)
Other recognised losses relating to the period	1,639	(8,736)
At March 31st	46,560	43,017

The directors have taken advantage of the exemption under section 408 of the Companies Act 2006 and have not presented a profit and loss account for the company alone. The company's profit after tax for the financial year amounted to £34,909,000 (2009: £24,837,000).

Share-based payments

The company has recorded total liabilities at March 31st of £4,401,000 (2009: £4,155,000). Refer to Note 11 for further details on the share-based incentive schemes.

Financial commitments **Operating leases**	2010 £000	2009 £000
Land and buildings, leases expiring		
Within one year	7	179
Between two and five years	602	98
After five years	1,203	1,203
	1,812	1,480
Plant and equipment, leases expiring		
Within one year	46	20
Between two and five years	43	40
	89	60

At March 31st 2010, there was £nil of capital expenditure contracted for but not provided in the financial statements (2009: £nil). 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. The annual cost of property leases guaranteed by the company is currently £55,000 (2009: £nil) per year.

Notice is hereby given that the annual general meeting of The Economist Newspaper Limited will be held at the British Academy of Film and Television Arts, 195 Piccadilly, London W1J 9LN on Monday July 19th 2010 at 12.15pm, for the purposes set out below.

1. To receive the accounts and the reports of the directors and the auditors for the year ended March 31st 2010.
2. To declare a final dividend of 10.0 pence per share in respect of the year ended March 31st 2010 to all "A" Special, "B" Special and ordinary shareholders on the company's register of members at the close of business on June 15th 2010.
3. To re-appoint PricewaterhouseCoopers LLP as the company's auditors to hold office until the conclusion of the next general meeting at which accounts are laid before the company.
4. To authorise the directors to fix the remuneration of the auditors.

By order of the Board
Oscar Grut
Secretary

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

June 15th 2010

A member entitled to attend and vote at this meeting may appoint a proxy, who need not be a shareholder, to attend, speak and vote in his place. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member. The appointment of a proxy will not prevent a member from attending and voting at the meeting in person.

A form of proxy is enclosed. To be valid, it must be completed and signed in accordance with the instructions and delivered to the company's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 3FA at least 48 hours before the meeting.