

THE ECONOMIST GROUP LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31st 2019

Registered number: 02642807



THE ECONOMIST GROUP LIMITED

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THE ECONOMIST GROUP LIMITED

Strategic report for the year ended March 31st 2019

The directors present their Strategic report on the company for the year ended March 31st 2019.

Principal activities and business review

The principal activity of the company is the publication and supply of business information. At the end of the year, the company had net assets of £69,300,071 (2018: £68,084,679).

Future developments

The directors expect that the present level of activity will be sustained for the foreseeable future.

Results and dividends

The results for the company show a profit for the financial year of £1,215,392 (2018: £19,906) and turnover of £27,308,387 (2018: £14,301,579). No interim dividend (2018: £nil) was paid during the year. The directors do not propose that a final dividend be paid (2018: £nil).

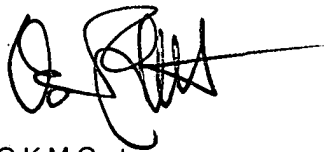
Principal risks and uncertainties

The Economist Group's annual review of risk highlighted the following principal areas relevant to the company: changes to its markets (including the commoditisation of, and pricing pressures on, information products); the quality of the Company's products keeping up with customers' expectations; its systems and infrastructure; business continuity; the challenges in retaining customers; employing and retaining talent; the impact of cybercrime attacks; regulatory risk, such as changes to privacy laws; and the financial operations of the company.

Key performance indicators

The Economist Group Limited's operations are managed and analysed globally on a business entity as opposed to a legal entity basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The key financial and other performance indicators are revenue and profit growth and profit margin.

The Strategic report has been approved by the Board and signed on its behalf by:



O K M Grut
Company secretary

December 13th 2019

Registered office

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

THE ECONOMIST GROUP LIMITED

Directors' report for the year ended March 31st 2019

The directors present their Directors' report and audited financial statements of the company for the year ended March 31st 2019.

Future developments, results and dividends

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

Financial risk management

The company's operations expose it to movements in foreign exchange and other financial risks. These risks and the financial risk management policies are discussed in the Financial review in The Economist Group Annual report 2019 under the heading 'Treasury and foreign exchange' and in the Directors' report of The Economist Group Annual report 2019 under the heading 'Internal control'.

The Company is a member of The Economist Newspaper Limited group of companies. The group operates a centralised treasury function and advances funds through intercompany loans to group companies to meet their financing needs as required.

Directors

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

O K M Grut
S P Naughton
L Salame Boro (appointed September 2nd 2019)
C J Stibbs (resigned August 30th 2019)

Directors indemnities

The Economist Group provides, to the extent permitted by law, an indemnity to all directors and officers of the company and its subsidiaries in respect of claims against them arising in respect of the conduct of the business of the Group. The Economist Group has also purchased directors' and officers' insurance cover against certain legal liabilities and costs for claims in connection with any act or omission by such directors and officers in the execution of their duties.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, Directors' report and financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the company will continue in business.

THE ECONOMIST GROUP LIMITED

Directors' report for the year ended March 31st 2019 (continued)

Directors' responsibilities statement (continued)

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

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

Disclosure of information to the auditor

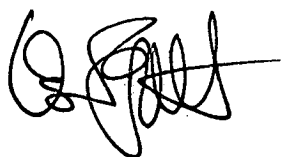
As far as each of the directors is aware, there is no relevant information that has not been disclosed to the company's auditor and each of the directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the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

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

Reappointment of auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

The Director's report has been approved by the Board and signed on its behalf by:



O K M Grut
Company secretary

December ^{BM} 2019

Registered office

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

THE ECONOMIST GROUP LIMITED

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at March 31st 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 11.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

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

Other information

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

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

() We have nothing to report in respect of these matters. ()

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

THE ECONOMIST GROUP LIMITED

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

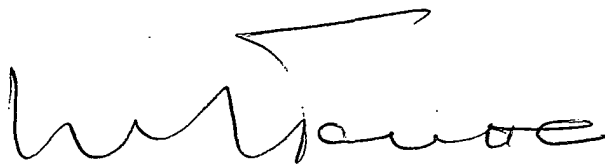
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



William Touche (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor
London, United Kingdom

December 13th 2019

THE ECONOMIST GROUP LIMITED

Statement of comprehensive income for the year ended March 31st 2019

	Note	2019 £	2018 £
Revenue	2	27,308,387	14,301,579
Cost of sales	3	(13,783,701)	(5,978,287)
Gross profit		<u>13,524,686</u>	<u>8,323,292</u>
Distribution costs	3	(24,233)	(15,847)
Administrative expenses	3	(11,655,894)	(7,592,368)
Operating profit		<u>1,844,559</u>	<u>715,077</u>
Interest receivable and similar income	4	3,776	3,720
Profit before taxation		<u>1,848,335</u>	<u>718,797</u>
Tax on profit	5	(632,943)	(698,891)
Profit for the financial year		<u><u>1,215,392</u></u>	<u><u>19,906</u></u>

The results reported above relate solely to continuing operations.

The notes on pages 11 to 19 are an integral part of these financial statements.

THE ECONOMIST GROUP LIMITED

Balance sheet as at March 31st 2019

	Note	2019 £	2018 £
Investments	6	1,036	1,036
Deferred income tax assets	7	18,134	13,337
Non-current assets		19,170	14,373
Trade and other receivables	8	80,831,657	74,741,795
Current income tax assets		172,555	147,964
Cash and cash equivalents		247,736	908,892
Current assets		81,251,948	75,798,651
Total assets		81,271,118	75,813,024
Trade and other liabilities	9	(11,971,047)	(7,728,345)
Current liabilities		(11,971,047)	(7,728,345)
Total liabilities		(11,971,047)	(7,728,345)
Net assets		69,300,071	68,084,679
Equity			
Called up share capital	10	67,479	67,479
Share premium account		67,746,908	67,746,908
Retained earnings		1,485,684	270,292
Total shareholder's funds		69,300,071	68,084,679

The notes on pages 11 to 19 are an integral part of these financial statements.

The financial statements on pages 8 to 19 were approved by the board of directors on December 13th 2019 and were signed on its behalf by:



S P Naughton
Director

Company registered number: 02642807

THE ECONOMIST GROUP LIMITED

Statement of changes in equity for the year ended March 31st 2019

Year ended March 31 st 2019	Called up share capital £	Share premium account £	Retained earnings £	Total shareholder's funds £
At April 1st 2018	67,479	67,746,908	270,292	68,084,679
Comprehensive income for the year				
Profit for the financial year	-	-	1,215,392	1,215,392
Total comprehensive income	-	-	1,215,392	1,215,392
At March 31st 2019	<u>67,479</u>	<u>67,746,908</u>	<u>1,485,684</u>	<u>69,300,071</u>

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

The notes on pages 11 to 19 are an integral part of these financial statements.

THE ECONOMIST GROUP LIMITED

Notes to the financial statements for the year ended March 31st 2019

1. Accounting policies

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

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

These financial statements were approved for issue by the board of directors on December 2019.

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

a) **Basis of preparation**

These financial statements have been prepared on the going concern basis under the historical cost convention, in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) as issued by the Financial Reporting Council and with those parts of the Companies Act 2006 applicable to companies reporting under FRS 101. All accounting policies have been applied consistently.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting assumptions. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas requiring a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are discussed in the relevant accounting policies under the following headings and in the notes to the financial statements where appropriate:

- taxation (notes 1g, 5 and 7);
- the carrying value of investments (notes 1h, 6);

New standards effective 2019

The following standards were adopted in 2019

- IFRS 15 Revenue from contracts with customers
- IFRS 9 Financial instruments

There has been no impact of the adoption of these standards.

b) **FRS 101 reduced disclosure**

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

- the requirements of IFRS 7 and IFRS 9 *Financial Instruments: Disclosures and Financial Instruments*;
- the requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 17 and 18A of IAS 24 *Related Party Disclosures*; and
- the requirements of IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of revenue being the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with customers.

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Notes to the financial statements for the year ended March 31st 2019 (continued)

1. Accounting policies (continued)

b) FRS 101 reduced disclosure (continued)

This information is included in the consolidated financial statements of The Economist Newspaper Limited as at March 31st 2019 (see note 11).

c) Foreign currency translation

The financial statements are presented in sterling, which is the company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign-exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

d) Revenue

The company's significant revenue streams include marketing services which includes sponsorship, and consulting services.

Revenue is recognised in order to depict the transfer of control of promised goods and services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and services. This process begins with the identification of our contract with a customer, which is generally through a master services agreement, acceptance of terms and conditions, customer purchase order, or a combination thereof. Within each contract, judgment is applied to determine the extent to which activities within the contract represent distinct performance obligations to be delivered and the total amount of transaction price to which we expect to be entitled.

The transaction price determined is net of sales taxes, rebates and discounts, and after eliminating sales within the company. Where a contract contains multiple performance obligations such as the provision of more than one product or service, revenue is allocated on the basis of relative standalone selling prices.

Revenue is recognised on contracts with customers when or as performance obligations are satisfied which is the period or the point in time where control of goods or services transfer to the customer. Judgement is applied to determine first whether control passes over time and if not, then the point in time at which control passes. Where revenue is recognised over time judgement is used to determine the method which best depicts the transfer of control. Where an input method is used significant estimation is required to determine the progress towards delivering the performance obligation.

The company may enter into contracts with another party in addition to our customers. In making the determination as to whether revenue should be recognised on a gross or net basis, the contract with the customer is analysed to understand which party controls the relevant good or service prior to transferring to the customer. This judgement is informed by facts and circumstances of the contract in determining whether the company has promised to provide the specified good or service or whether the company is arranging for the transfer of the specified good or service, including which party is responsible for fulfilment, has discretion to set the price to the customer and is responsible for inventory risk. On certain contracts, where the company acts as an agent, only commissions and fees receivable for services rendered are recognised as revenue. Any third party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement are not included in revenue.

The company has applied IFRS15 retrospectively and therefore comparative information would have been restated. However, there are no adjustments to revenue following adoption of the standard. Additional details on the company's revenue streams are also included in note 2.

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Notes to the financial statements for the year ended March 31st 2019 (continued)

1. Accounting policies (continued)

d) Cash and cash equivalents

Cash and cash equivalents include cash in hand.

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

e) Share capital

Ordinary shares are classified as equity.

f) Taxation

Current tax is recognised on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance-sheet date.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance-sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

Current and deferred tax are recognised in the Statement of comprehensive income, except when the tax relates to items charged or credited directly to equity or other comprehensive income, in which case the tax is also recognised in equity or other comprehensive income.

Current and deferred tax are recognised in the same component of total comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Deferred tax assets and liabilities require management judgment in determining the amounts to be recognised. In particular, significant judgment is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income together with any future tax-planning strategies.

g) Investments

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

h) Related party transactions

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

i) Trade and other receivables

Trade receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amounts considered recoverable (amortised cost). The Company provides goods and services to substantially all of its customers on credit terms. Estimates are used in determining the level of receivables that will not, in the opinion of the Directors, be collected. These estimates include such factors as historical experience, the current state of the UK and overseas economies and industry specific factors. A provision for impairment of trade receivables is established where there is sufficient evidence that the Company will not be able to collect all amounts due with the provision for

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Notes to the financial statements for the year ended March 31st 2019 (continued)

1. Accounting policies (continued)

i) Trade and other receivables (continued)

bad and doubtful debts based on expected credit losses. The carrying value of trade receivables is considered to approximate fair value.

Accrued income primarily relates to the Company's right to consideration for work completed but not billed at the reporting date.

j) Trade and other payables and provisions

Trade payables are recognised at the value of the invoice received from a supplier. The carrying value of trade payables is considered to approximate fair value.

Deferred income primarily relates to consideration received from customers in advance for transferring a good or service.

A provision is recognised in the balance sheet when the Company has a present or legal or constructive obligation arising from past events, it is probable that cash will be paid to settle it and the amount can be estimated reliably. Provisions are determined by discounting the expected future cash flows. The unwinding of the discount is recognised as a financing cost in the income statement. The valuation of the provision is determined based on assumptions and estimates in relation to the amount and timing of actual cash flows which are dependent on future events.

k) Change of accounting policy: IFRS 9

The company adopted IFRS 9 'Financial Instruments' at April 1st 2018 and applied the new rules in accordance with the transitional provisions. Comparatives for 2017-18 have not been restated. There is no impact on the income statement or balance sheet following the adoption of IFRS 9.

2. Revenue

All revenue originated in the United Kingdom.

Analysis by destination:	2019 £	2018 £
United Kingdom	4,443,406	2,497,755
North America	5,860,153	883,086
Rest of Europe	4,558,334	2,594,952
Asia	6,735,130	5,578,615
Other	5,711,364	2,747,171
	<u>27,308,387</u>	<u>14,301,579</u>

Revenue from contracts with customers

The following table analyses the company's revenue streams:

	2019 £	2018 £
Marketing Services	19,749,705	10,723,378
Consulting Services	7,558,682	3,578,201
	<u>27,308,387</u>	<u>14,301,579</u>

Nature of goods and services

The following is a description of the nature of the company's performance obligations within contracts with customers broken down by revenue stream, along with significant judgments and estimates made within each of those revenue streams.

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Notes to the financial statements for the year ended March 31st 2019 (continued)

2. Revenue (continued)

Marketing Services

Marketing Services includes revenue derived from thought leadership and content solutions sales and events. Revenue is recognised for marketing services over the period the services are provided, as performance occurs. The performance obligations are distinct, being deliverables issued or events held. Transaction prices for performance obligations are fixed within contracts and recognised in line with the performance obligations. Marketing services sold as part of a bundled arrangement along with the company's other product offerings are considered to be distinct performance obligations. The transaction price is allocated between distinct performance obligations on the basis of their relative standalone selling prices. Customer payments are generally defined in the contract as occurring shortly after invoicing.

Sponsorship revenues relate to the sponsorship of events. Sponsorship revenue is recognised at a point in time when the event has taken place or when the film has been broadcast. Sponsorship sold as part of a bundled arrangement along with the company's other product offerings are considered to be distinct performance obligations. The transaction price is allocated between distinct performance obligations on the basis of their relative standalone selling prices. Customer payments are generally defined in the contract as occurring shortly after invoicing and are often invoiced in advance of delivery in the case of events.

Revenue generated from delegates relate to fees charged for attendance at the company's events and are recognised at a point in time when the event has taken place. Customer payments are generally received prior to the event taking place. Revenue generated from licensing the company's content and sale of second rights contracts are generally recognised over time as contracts permit customers to access our content throughout the contract period.

Sponsorship revenues also relate to the sponsorship of the EIU's corporate network and Executive Briefings and is recognised at a point in time when a meeting has taken place. Customer payments are generally defined in the contract as occurring shortly after invoicing. Revenue generated from memberships relate to fees charged to members of the Economist Corporate Network and membership fees are recognised over time in accordance with the membership period set out in the contract. Revenue generated from the sale of second rights to EIU content is generally recognised over time as contracts permit customers to access content throughout the contract period.

Consulting services

Consulting revenues relate to the sale of economic, industry and management consulting services for clients operating in the Public Policy, Healthcare and Consumer markets. Revenue is recognised for consulting services over the period of the contract, as performance occurs. The performance obligations are distinct, being deliverables issued or events held. Transaction prices for performance obligations are fixed within contracts and recognised in line with the performance obligations. Consulting services sold as part of a bundled arrangement along with the Group's other product offerings are considered to be distinct performance obligations. The transaction price is allocated between distinct performance obligations on the basis of their relative standalone selling prices. Customer payments are generally defined in the contract as occurring shortly after invoicing with invoicing scheduled around the timing of delivery of milestones.

Contract balances

Transactions within Marketing Services, Sponsorship and Consulting Services revenue streams generally entail contractually agreed billing schedules sometimes based on progress towards milestones. As the performance obligations within these arrangements are delivered at a point in time, the extent of accrued income or deferred income will depend upon the difference between revenue recognised and billings to date. Refer to note 8 for opening and closing balances of accrued income. Refer to note 9 for opening and closing balances of deferred income.

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Notes to the financial statements for the year ended March 31st 2019 (continued)

3. Expenses by function

	2019 £	2018 £
Other general and administrative costs	25,682,236	13,249,041
Bank charges	6,894	3,452
Foreign exchange (gains)/losses	(304,610)	245,525
Other net losses	79,308	88,484
	<u>25,463,828</u>	<u>13,586,502</u>

None of the directors received any emoluments in respect of their services to the company during the year (2018: £nil). The company had no employees during the year (2018: none).

The audit fee is borne by the ultimate parent company, The Economist Newspaper Limited. The audit fee for the audit of the company's financial statements was £22,075 (2018: £20,000). There were no fees incurred from the company's auditor in respect of non-audit services during the year (2018: £nil).

4. Interest receivable and similar income

	2019 £	2018 £
Interest receivable on amount owed by ultimate parent company	<u>3,776</u>	<u>3,720</u>

5. Tax on profit

The taxation charge is based on the profit before taxation and comprises:

	2019 £	2018 £
Current tax expense		
UK corporation tax charge	759,663	712,228
Adjustments in respect of prior years	(121,923)	-
	<u>637,740</u>	<u>712,228</u>
Deferred tax (credit)/expense		
Current year	(4,797)	(13,337)
Adjustments in respect of prior years	-	-
	<u>(4,797)</u>	<u>(13,337)</u>
Total tax expense for the year	<u>632,943</u>	<u>698,891</u>
Effective tax rate	34%	97%

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Notes to the financial statements for the year ended March 31st 2019 (continued)

5. Tax on profit (continued)

The UK corporation tax rate for the year is 19% (2018: 19%). The tax on the profit before tax differs from the theoretical amount that would arise using the UK tax rate for the reasons set out in the following reconciliation:

	2019 £	2018 £
Profit before taxation	1,848,335	718,797
Tax calculated at UK rate of 19% (2018: 19%)	351,184	136,571
Factors affecting the tax charge		
Transfer pricing deemed interest on UK inter-company loans	601,170	560,752
Group relief recovered for no payment	(198,052)	-
Adjustments in respect of prior years	(121,923)	-
Effect of change in tax rates on deferred tax	564	1,568
Total tax expense for the year	<u>632,943</u>	<u>698,891</u>

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

6. Investments

Cost:	£
At April 1 st 2018 and March 31 st 2019	<u>1,036</u>

The company owns 1% of the ordinary share capital in The Economist Group do Brasil Serviços de informação sobre Negócios Ltda, a company providing business information, incorporated in Brazil. Its registered office is Rua Joaquim Floriano 1052. cj. 81, CEP 04534-004, São Paulo, -SP, Brazil.

The company performs an annual review of the recoverable amounts of subsidiary investments. Following this review, the directors are of the opinion that the value of the investments are not impaired.

7. Deferred income tax assets

	2019 £	2018 £
Deferred income tax assets	<u>18,134</u>	<u>13,337</u>

Substantially all of the deferred income tax assets are expected to be recovered after more than one year.

Deferred income tax assets and liabilities may be offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. At March 31st 2019 the company has unrecognized deferred income tax assets of £nil (2018: £nil).

THE ECONOMIST GROUP LIMITED

Notes to the financial statements for the year ended March 31st 2019 (continued)

7. Deferred income tax assets (continued)

The recognition of the deferred tax assets is supported by management's forecasts of the future profitability of the business. The movement on the deferred income tax account is as follows:

	2019 £	2018 £
At April 1 st	13,337	-
Credit to the Statement of comprehensive income	5,361	14,905
Effect of change in tax rates	(564)	(1,568)
At March 31 st	<u>18,134</u>	<u>13,337</u>

Deferred income tax assets include temporary differences on other provisions.

Changes to the UK main corporation tax rate from 20% (effective on April 1st 2017) to 17% (effective from April 1st 2020) were substantively enacted on September 15th 2016. The relevant UK deferred tax balances have been re-measured to the rate which is expected to apply to the period when the assets are realised and the liabilities are settled, based on the tax rates substantively enacted by the balance-sheet date.

8. Trade and other receivables

	2019 £	2018 £
Trade receivables	5,867,267	6,219,338
Amounts due from ultimate parent company	72,450,738	68,062,368
Amounts due from group undertakings	1,714,406	-
Prepayments and accrued income	768,177	436,472
Withholding tax recoverable	31,069	23,617
	<u>80,831,657</u>	<u>74,741,795</u>

There are two amounts due from the ultimate parent company, The Economist Newspaper Limited: an amount of £72,199,035 (2018: £67,814,385) that is non-interest bearing and an amount of £251,703 (2018: £247,983) that bears interest at 1% above the UK base rate. The loans are repayable on demand and unsecured. The amounts owed by group undertakings are unsecured and non-interest bearing and repayable on demand.

9. Trade and other liabilities

	2019 £	2018 £
Trade payables	1,692	-
Social security and other taxes	341,432	563,642
Accruals	6,822	-
Amounts owed to ultimate parent company	-	1,978,845
Amounts owed to group undertakings	6,960,629	1,905,074
Deferred income	4,660,472	3,280,784
	<u>11,971,047</u>	<u>7,728,345</u>

The amounts owed to group undertakings and other group undertakings are unsecured, non-interest bearing and repayable on demand.

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Notes to the financial statements for the year ended 31 March 2019 (continued)

10. Called up share capital

	2019 £	2018 £
Allotted and fully paid: 67,479 (2018: 67,479) ordinary shares of £1 each	<u>67,479</u>	<u>67,479</u>

11. Ultimate parent company and controlling party

The immediate parent company is Ryder Street Properties Limited, registered in England and Wales. The ultimate parent company and ultimate controlling party is The Economist Newspaper Limited, registered in England and Wales. This is the only company that consolidates these financial statements. The Economist Group Annual report 2019 can be obtained from The Adelphi, 1-11 John Adam Street, London, WC2N 6HT or viewed at www.economistgroup.com. This is the registered office of the immediate and ultimate parent companies. The Economist Group consists of The Economist Newspaper Limited and its subsidiary undertakings.