

THE ECONOMIST GROUP LIMITED

ANNUAL REPORT

YEAR ENDED 31 MARCH 2005

Registered Number: 2642807



**THE ECONOMIST GROUP LIMITED**

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## THE ECONOMIST GROUP LIMITED

### **Report of the directors for the year ended 31 March 2005**

The directors present their annual report and audited financial statements for the year ended 31 March 2005.

#### Activities and business review

The principal activity of the company is to act as an investment holding company. The directors expect the company to continue acting as an investment holding company for the foreseeable future. An amendment to the United Kingdom's transfer pricing rules has resulted in a requirement to charge interest on intercompany loans since 1 April 2004.

#### Results and dividends

The profit for the year on ordinary activities after taxation amounted to £163,841 (2004: £907,722), which has been taken to reserves. An interim dividend of £950,000 (2004: nil) was paid during the year. The directors do not propose that a final dividend be paid (2004: nil).

#### Directors

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

H A Alexander  
K B S Malik (resigned 12 July 2005)  
C J Stibbs (appointed 13 July 2005)

#### Directors' interests

The directors do not hold any shares in the company. Details of directors' interests in the share capital and share options in the parent company, The Economist Newspaper Limited, are disclosed in that company's accounts.

#### Auditors

The company has passed an elective resolution to dispense with the requirement to appoint auditors on an annual basis.

BY ORDER OF THE BOARD



O K M GRUT  
Secretary  
15 December 2005

#### Registered Office

25 St. James's Street  
London  
SW1A 1HG

## **THE ECONOMIST GROUP LIMITED**

### **Directors' statement of responsibilities** **for the year ended 31 March 2005**

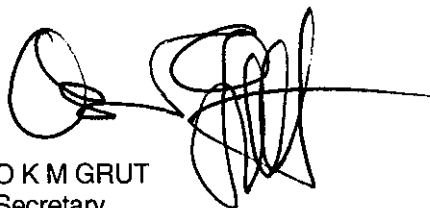
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company, and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable 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.

The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company to enable them to ensure the financial statements comply with the Companies Act 1985, 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

A handwritten signature in black ink, appearing to be 'O K M GRUT', with a long horizontal line extending to the right.

O K M GRUT  
Secretary  
16 December 2005

## **THE ECONOMIST GROUP LIMITED**

### **Independent auditors' report to the members of The Economist Group Limited**

We have audited the financial statements which comprise profit and loss account, the balance sheet and the related notes.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

#### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

16 December 2005

**THE ECONOMIST GROUP LIMITED**

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

	Notes	2005 £	2004 £
Interest receivable	3	78,062	-
Income from fixed asset investments	4	361,820	1,147,457
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>439,882</u>	<u>1,147,457</u>
Tax on profit on ordinary activities	5	(276,041)	(239,735)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>163,841</u>	<u>907,722</u>
Dividends	6	(950,000)	-
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	12	<u>(786,159)</u>	<u>907,722</u>

There are no recognised gains and losses except for the results reported above and therefore no separate statement of total recognised gains or losses has been presented.

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

The notes on pages 7 to 9 form part of these financial statements.

# THE ECONOMIST GROUP LIMITED

## Balance sheet as at 31 March

	Notes	2005 £	2004 £
<b>FIXED ASSETS</b>			
Investments	7	67,814,385	67,814,385
<b>CURRENT ASSETS</b>			
DEBTORS: amounts falling due within one year			
Amounts due from parent undertaking		1,599,570	1,127,339
Amounts due from fellow subsidiary undertaking		-	1,335,337
		<u>1,599,570</u>	<u>2,462,676</u>
CREDITORS: due within one year	8	(42,921)	(119,868)
NET CURRENT ASSETS		<u>1,556,649</u>	<u>2,342,808</u>
NET ASSETS		<u>69,371,034</u>	<u>70,157,193</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	67,479	67,479
Share premium account	10	67,746,908	67,746,908
Profit and loss account	11	<u>1,556,647</u>	<u>2,342,806</u>
EQUITY SHAREHOLDERS' FUNDS	12	<u>69,371,034</u>	<u>70,157,193</u>

C J Stibbs



Director

The financial statements on pages 5 to 9 were approved by the Board of Directors on **16** December 2005.

The notes on pages 7 to 9 form part of these financial statements.

## **THE ECONOMIST GROUP LIMITED**

### **Notes to the financial statements - 31 March 2005**

#### **1. Accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The principal accounting policies, all of which have been applied consistently, are set out below.

##### **(a) Basis of accounting**

The financial statements are prepared on a going concern basis, under the historical cost convention in accordance with the Companies' Act 1985.

##### **(b) Consolidation**

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

##### **(c) Fixed asset investments**

Fixed asset investments are stated at cost less provision for any impairment.

##### **(d) Cash flow statement**

The company is a wholly owned subsidiary of The Economist Newspaper Limited and the cash flows of the company are included in the consolidated group cash flow statement of The Economist Newspaper Limited. Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 (revised) from publishing a cash flow statement.

##### **(e) Foreign exchange**

Foreign exchange transactions during the year are translated at the prevailing rate on the date of the transaction. Any monetary assets and liabilities denominated in foreign currencies are translated at the rate at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

##### **(f) Related party transactions**

As the company is a wholly owned subsidiary of The Economist Newspaper Limited, the company has taken advantage of the exemptions contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. There were no other related party transactions in the year.

#### **2. Employee information**

None of the directors received any emoluments in respect of their services to the company during the year (2004: nil). The company had no employees during the year (2004: nil).



# **THE ECONOMIST GROUP LIMITED**

## **Notes to the financial statements - 31 March 2005**

### 3. Interest receivable

	2005 £	2004 £
Interest from amount owed by parent	<u>78,062</u>	<u>-</u>

The loan is to The Economist Newspaper Limited. Since 1 April 2004 the loan has borne interest at 1% above the UK base rate. The loan is repayable on demand and unsecured.

### 4. Income from fixed asset investments

	2005 £	2004 £
Dividend income from shares in group companies	<u>361,820</u>	<u>1,147,457</u>

### 5. Taxation

The taxation charge is based on the results for the year and is made up as follows:

	2005 £	2004 £
UK corporation tax at 30% (2004: 30%)	(151,732)	(389,024)
Double taxation relief	65,892	149,289
UK corporation tax - prior year	(190,201)	-
	<u>(276,041)</u>	<u>(239,735)</u>

#### Tax rate reconciliation

	2005 %	2004 %
UK tax rate	30.0	30.0
Effect of double taxation relief	(10.5)	(9.1)
Effect of prior year items	43.2	-
	<u>62.7</u>	<u>20.9</u>

### 6. Dividends

	2005 £	2004 £
Interim dividend paid: £14.08 (2004 : nil) per ordinary £1 share	<u>950,000</u>	<u>-</u>

### 7. Fixed assets: investments

Investments in Group Company	£
At 1 April 2004 and 31 March 2005, at cost	<u>67,814,385</u>

The above investment comprises 37.54% of the nominal value of the issued ordinary shares of the Economist Group (Luxembourg) S.a.r.l., an investment holding company incorporated in Luxembourg. The directors are of the opinion that the market value of the investment is more than the carrying value.

# **THE ECONOMIST GROUP LIMITED**

## **Notes to the financial statements - 31 March 2005**

### 8. Creditors: amounts falling due within one year

	2005 £	2004 £
UK corporation tax at 30% (2004: 30%)	<u>42,921</u>	<u>119,868</u>

### 9. Called up share capital

	2005 £	2004 £
Authorised: 75,000 ordinary shares of £1 each	<u>75,000</u>	<u>75,000</u>
Allotted, called up and fully paid: 67,479 ordinary shares of £1 each	<u>67,479</u>	<u>67,479</u>

### 10. Share premium account

	£
At 1 April 2004 and 31 March 2005	<u>67,746,908</u>

### 11. Profit and loss account

	£
As at 1 April 2004	2,342,806
Profit after tax	163,841
Dividends	(950,000)
As at 31 March 2005	<u>1,556,647</u>

### 12. Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Opening shareholders' funds	70,157,193	69,249,471
(Loss)/ profit for the financial year	<u>(786,159)</u>	<u>907,722</u>
Closing shareholders' funds	<u>69,371,034</u>	<u>70,157,193</u>

### 13. Parent company

The ultimate parent company and ultimate controlling party is The Economist Newspaper Limited, which is registered in England and Wales.