

THE ECONOMIST GROUP (INVESTMENTS) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31st 2020

Registered number: 04319845



THE ECONOMIST GROUP (INVESTMENTS) LIMITED

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THE ECONOMIST GROUP (INVESTMENTS) LIMITED

Directors' report for the year ended March 31st 2020

The directors present their annual report and audited financial statements of the company for the year ended March 31st 2020. The report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Principal activity and business review

The principal activity of the company is to lend to other companies within the Economist Group. The directors expect the company to continue in this capacity for the foreseeable future. At the end of the year, the company had net assets of £92,412,477 (2019: £86,147,224).

On May 28th 2019 the company issued four new ordinary shares to The Economist Newspaper Limited as part of reorganisation of the Group debt to reduce exposure to currency fluctuation risk.

Going concern

The directors have prepared these financial statements on the going concern basis, and in doing so have considered the matters set out in the paragraphs below.

The Company is a subsidiary of The Economist Newspaper Limited which operates a centralised treasury function to manage the liquidity needs of The Economist Newspaper Limited and all its subsidiaries (together "the Group"). All subsidiaries participate in the Group's treasury operations either by contributing funding to or drawing funding from fellow subsidiaries. The continued availability of the Group's borrowing facilities depends on the Group's overall performance, and therefore the context of the whole Group is relevant when considering the going concern basis of accounting.

The covid-19 pandemic has impacted the Group's businesses, though the Group's overall liquidity position has strengthened due to careful management of the cost base and working capital. The Economist has continued to publish and has seen an increase in subscription revenue despite lower marketing spend whilst the EIU has performed well in the circumstances. Both Client Solutions and Events businesses have experienced declining advertising, sponsorship and delegate revenues due to lower client marketing activity and the cancellation of physical events.

The Group has taken a number of actions in response to the measures introduced by governments due to covid-19, and the impact of these measures on the economy and the markets in which the Group operates, including:

- Cost-saving initiatives, such as reducing marketing spend, reducing executive pay and suspending Board pay for six months; delays to recruitment, and technology and operating expenditure cuts including a number of redundancies;
- Closing the EIU Canback and TVC businesses;
- Not making dividend payments throughout 2020;
- Agreeing, for precautionary reasons, with the syndicate of banks providing the Group's £150m RCF to substantially relax the covenant tests for September 2020 and March 2021, with a commitment to review the September 2021 tests if required; and
- Changed borrowing limits, for precautionary reasons, should there be a need to access additional liquidity in the future.

These measures already taken together with future actions that could be taken mean that based on the Group's cashflow forecasts and projections reviewed by the board of The Economist Newspaper Limited in November 2020, which take into account the impact of covid-19 on the Group's trading since its onset in March 2020, the Group will continue to have sufficient liquidity headroom in its existing facilities and measurement headroom against the RCF financial covenants and will be able to operate within the level of its bank facilities for the foreseeable future. For this reason, the going-concern basis has been adopted in preparing these financial statements.

THE ECONOMIST GROUP (INVESTMENTS) LIMITED

Directors' report for the year ended March 31st 2020 (continued)

Financial risk management

Financial risk management policies and other financial risks are discussed in the financial review in The Economist Group Annual report 2020 under the heading 'Treasury and foreign exchange' and in the Directors' report of The Economist Group Annual report 2020 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.

Results and dividends

The company did not trade in either 2020 or 2019. The directors do not propose that a dividend be paid (2019: £nil).

Directors

The directors who served during the 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 Annual Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. 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 these 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 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 ECONOMIST GROUP (INVESTMENTS) LIMITED

Directors' report for the year ended March 31st 2020 (continued)

Directors' responsibilities statement (continued)

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

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are 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

17th December 2020

Registered office

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

THE ECONOMIST GROUP (INVESTMENTS) LIMITED

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at March 31st 2020 and of its result 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.

THE ECONOMIST GROUP (INVESTMENTS) LIMITED

Independent auditor's report to the members of The Economist Group (Investments) 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.

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 has 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 Directors' report.

THE ECONOMIST GROUP (INVESTMENTS) LIMITED

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

Matters on which we are required to report by exception

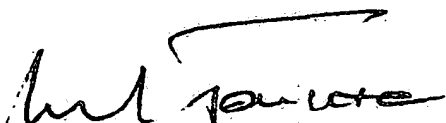
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Directors' report or from the requirement to prepare a strategic report.

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

17th December 2020

THE ECONOMIST GROUP (INVESTMENTS) LIMITED**Statement of comprehensive income for the year ended March 31st 2020**

	Note	2020 £	2019 £
Result before taxation		-	-
Tax on result	5	-	-
Result and total comprehensive result for the year		<u>-</u>	<u>-</u>

The results reported above relate solely to continuing operations.

The notes on pages 12 to 15 are an integral part of these financial statements.

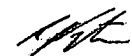
THE ECONOMIST GROUP (INVESTMENTS) LIMITED**Balance sheet as at March 31st 2020**

	Note	2020 £	2019 £
Amounts due from group undertakings	6	93,891,830	93,891,830
Current assets		93,891,830	93,891,830
Total assets		93,891,830	93,891,830
Amounts owed to ultimate parent company	7	(1,479,353)	(7,744,606)
Current liabilities		(1,479,353)	(7,744,606)
Total liabilities		(1,479,353)	(7,744,606)
Net assets		92,412,477	86,147,224
Equity			
Called up share capital	8	59	55
Share premium account	9	31,965,195	25,699,946
Other reserves	10	64,483,999	64,483,999
Retained loss		(4,036,776)	(4,036,776)
Total shareholder's funds		92,412,477	86,147,224

The notes on pages 12 to 15 are an integral part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements of The Economist Group (Investments) Limited (registered number 04319845) were approved by the board of directors and authorised for issue on 17th December 2020. They were signed on its behalf by:



S P Naughton
Director

THE ECONOMIST GROUP (INVESTMENTS) LIMITED**Statement of changes in equity for the year ended March 31st 2020**

Year ended March 31st 2020		Called up share capital £	Share premium account £	Other reserves £	Retained loss £	Total shareholder's funds £
	Note					
At April 1st 2019		55	25,699,946	64,483,999	(4,036,776)	86,147,224
Comprehensive result for the year						
Result for the financial year		-	-	-	-	-
Total comprehensive result		-	-	-	-	-
Issue of share capital	8	4	-	-	-	4
Share premium on share issue	9	-	6,265,249	-	-	6,265,249
At March 31st 2020		59	31,965,195	64,483,999	(4,036,776)	92,412,477

Other reserves represent capital contributions of £44,983,999 and £19,500,000 received from the company's former immediate parent company received in 2001 and 2003.

Year ended March 31st 2019		Called up share capital £	Share premium account £	Other reserves £	Retained loss £	Total shareholder's funds £
At April 1st 2018		55	25,699,946	64,483,999	(4,036,776)	86,147,224
Comprehensive result for the year						
Result for the financial year		-	-	-	-	-
Total comprehensive result		-	-	-	-	-
At March 31st 2019		55	25,699,946	64,483,999	(4,036,776)	86,147,224

The notes on pages 12 to 15 are an integral part of these financial statements.

THE ECONOMIST GROUP (INVESTMENTS) LIMITED

Notes to the financial statements for the year ended March 31st 2020

1. Accounting policies

The company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. 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 Directors' report.

The accounting policies applied in the preparation of these financial statements have been consistently applied to the periods presented unless otherwise stated. There has been no significant judgments in accounting policies.

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. Refer to the going-concern disclosure within the directors' report for further information.

There were no critical accounting assumptions or areas where management exercised its judgment in the process of applying the Company's accounting policies.

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;
- 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; and
- 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.

This information is included in the consolidated financial statements of The Economist Newspaper Limited as at March 31st 2020 (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) **Cash and cash equivalents**

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

THE ECONOMIST GROUP (INVESTMENTS) LIMITED

Notes to the financial statements for the year ended March 31st 2020 (continued)

1. Accounting policies (continued)

e) 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.

f) Share capital

Ordinary shares are classified as equity.

g) 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 with the companies that form part of the Group. There were no other related party transactions in the period.

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

i) 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.

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.

2. Result before taxation

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 £1,160 (2019: £1,105). There were no fees incurred from the company's auditors in respect of non-audit services during the year (2019: £nil).

3. Directors' emoluments

None of the directors received any emoluments in respect of their services to the company during the year (2019: £nil).

4. Staff costs

The company had no employees during the year (2019: none).

THE ECONOMIST GROUP (INVESTMENTS) LIMITED**Notes to the financial statements for the year ended March 31st 2020 (continued)****5. Tax on result**

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

	2020 £
Current tax	-
UK corporation tax expense	-
Adjustment in respect of prior years	-
Total tax expense for the year	-

The UK corporation tax rate for the year is 19% (2019: 19%). The tax on the result before taxation differs from the theoretical amount that would arise using the UK tax rate for the reasons set out in the following reconciliation:

	2020 £	2019 £
Result before taxation	-	-
Tax calculated at UK rate of 19% (2019: 19%)	-	-
Factors affecting the tax charge:		
Transfer pricing deemed interest on UK inter-company loans	888,548	297,161
Group relief claimed for no payment	(888,548)	(297,161)
Total tax result for the year	-	-

6. Amounts due from group undertakings

	2020 £	2019 £
Amounts due from group undertakings	93,891,830	93,891,830

The loan is due from The Economist Intelligence Unit Limited. The loan is repayable on demand and unsecured. The company waived its right to interest on the loan. However, deemed interest is reflected as part of the transfer pricing tax adjustment, outlined in note 5.

7. Amounts owed to ultimate parent company

	2020 £	2019 £
Amounts owed to ultimate parent company	1,479,353	7,744,606

The company repaid £6,265,253 to The Economist Newspaper Limited (ENL), on May 28th 2019 in exchange for a share issue.

All amounts owed to the ultimate parent company, ENL, are unsecured, non-interest bearing and repayable on demand.

THE ECONOMIST GROUP (INVESTMENTS) LIMITED**Notes to the financial statements for the year ended March 31st 2020 (continued)****8. Called up share capital**

	2020 £	2019 £
Allotted and fully paid:		
59 (2019: 55) ordinary shares of £1 each	<u>59</u>	<u>55</u>

On May 28th 2019 the company issued 4 ordinary shares to ENL.

9. Share premium account

	2020 £	2019 £
At April 1st	25,699,946	25,699,946
Issue of ordinary shares	6,265,249	-
At March 31st	<u>31,965,195</u>	<u>25,699,946</u>

On May 28th 2019 the company issued 4 ordinary shares to ENL with a share premium of £6,265,253.

10. Other reserves

	2020 £	2019 £
Other reserves	<u>64,483,999</u>	<u>64,483,999</u>

11. Ultimate parent company and controlling party

The immediate parent company is The Economist Newspaper (Holdings) Limited. The ultimate parent company and 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 2020 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.