

**CAPITAL ECONOMICS (N.A.) LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**



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**CAPITAL ECONOMICS (N.A.) LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	R Bootle M Gault (appointed 21 July 2020) N Shearing (appointed 21 July 2020)
<b>Registered number</b>	06190831
<b>Registered office</b>	100 Victoria Street London SW1E 5JL
<b>Independent auditor</b>	Grant Thornton UK LLP Statutory Auditor, Chartered Accountants The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT

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**CAPITAL ECONOMICS (N.A.) LIMITED**

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**CONTENTS**

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	Page
<b>Directors' report</b>	<b>1 - 3</b>
<b>Independent auditor's report</b>	<b>4 - 6</b>
<b>Statement of comprehensive income</b>	<b>7</b>
<b>Statement of financial position</b>	<b>8</b>
<b>Statement of changes in equity</b>	<b>9</b>
<b>Notes to the financial statements</b>	<b>10 - 25</b>

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## **CAPITAL ECONOMICS (N.A.) LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present their report and the financial statements for the year ended 31 December 2019.

#### **Principal activity**

The company is principally engaged in the provision of written economic research and analysis which is sold in packages for annual subscriptions.

#### **Results and dividends**

The loss for the year, after taxation, amounted to £3,024,590 (2018 as restated per note 19 - profit £5,463,199).

The directors paid a dividend of £Nil during the year (2018: £Nil).

#### **Directors**

The directors who served during the year were:

R Bootle  
M Harris (resigned 27 June 2019)  
R Dowson (resigned 30 October 2020)  
D Ely (appointed 27 June 2019, resigned 31 July 2020)

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Directors' 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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;
- make judgements and accounting 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.

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 to 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.

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## CAPITAL ECONOMICS (N.A.) LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that ought to have been taken as a directors in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### Future developments

2020 will see a continuation and evolution of existing strategic initiatives to boost the Company's growth.

The Company will continue to bring new services to market where opportunities arise to keep the product relevant to customers. The COVID-19 Economic Brief page launched in February 2020 is a great example of how quickly and effectively the Company can generate new product content. Digital service delivery will be continually developed, improving both web and email-based delivery systems.

Sales and marketing will become further digitised. Leveraging existing and currently developing digital systems, sales and marketing will become more targeted for both existing and new customers, improving customer satisfaction and generating growth opportunities.

#### Financial risk management

The company's principal financial assets are bank deposits, and trade receivables.

*Bank deposits:* The majority of company sales are prepaid annual subscriptions. As a result Capital Economics holds large cash balances which are offset by a current liability for services yet to be delivered to clients. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings from international credit-rating agencies.

*Interest rate risk:* The company is financed through fixed rate loan notes and bank borrowings via the parent company. Due to the significant level of debt owed by the group the risk of movements in interest rates is considered significant to the Group. However, any plausible scale of interest rate increase in the next few years would have little material impact on the Group's financial performance.

*Credit risk:* the level of receivables is closely monitored and clients are contacted two weeks after invoices are dispatched in order to check that they are being processed for payment. As the client base has continued to diversify, particularly in terms of geography, the average time between the issue of an invoice and receipt of payment has increased.

#### Post balance sheet events

On 30 January, the World Health Organisation (WHO) announced Coronavirus as a global health emergency. On 11 March 2020, it announced that Coronavirus was a global pandemic. This pandemic has created varying degrees of economic pressure across industries and is expected to cause a global economic recession. At time of writing, the Capital Economics Group has successfully weathered the initial disruption of Covid-19 however, the possibility of further economic disruption has generated a material uncertainty explained in the going concern paragraph below.

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**CAPITAL ECONOMICS (N.A.) LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Going concern**

For Going Concern, Capital Economics Group "the group" of which the company is wholly owned by, is considered. The directors have reviewed future trading and cash flow forecasts out to December 2022. Key sensitivities of client renewal rates, new client generation and uncontrolled operational costs have been considered to determine what results are likely and what is feasible. The Group has a stable, substantial customer base and has net cash resources. The Group is funded by its bank debt, loan notes and preference shares, which are not due for repayment in the next 12 months. The directors therefore do not expect the need for additional external funding. The Directors have therefore prepared the accounts as a going concern.

However, with the ongoing Covid-19 pandemic and uncertainty of its full economic impact, it is difficult for the Directors to guarantee the meeting of covenant requirements in the next 12 months and therefore conclude that this presents a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern and hence pay its debts as they fall due

**Auditor**

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 13/11/2020 and signed on its behalf.



**N Shearing**  
Director

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## **CAPITAL ECONOMICS (N.A.) LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL ECONOMICS (N.A.) LIMITED**

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#### **Opinion**

We have audited the financial statements of Capital Economics (N.A.) Limited (the 'company') for the year ended 31 December 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss 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.

#### **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 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.

#### **The impact of uncertainties arising from the UK exiting the European Union on our audit**

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company associated with a course of action such as Brexit.

#### **Material uncertainty related to going concern**

We draw attention to note 2.3 in the financial statements, where the Directors have acknowledged that the extent of the impact of the Covid-19 pandemic on the business is unclear, which represents a material uncertainty that may cast significant doubt upon the company's ability to realise assets in full and discharge all of its liabilities in the ordinary course of business. As stated in note 2.3, these events or conditions, along with the continuing economic impact of Covid-19 on the business and other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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**CAPITAL ECONOMICS (N.A.) LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL ECONOMICS (N.A.) LIMITED  
(CONTINUED)**

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**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 this regard.

**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.

**Matter on which we are required to report under the Companies Act 2006**

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 material misstatements in the Directors' report.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.



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**CAPITAL ECONOMICS (N.A.) LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL ECONOMICS (N.A.) LIMITED  
(CONTINUED)**

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**Responsibilities of directors for the financial statements**

As explained more fully in the Directors' responsibilities statement on page 1, 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Company's members 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 for our audit work, for this report, or for the opinions we have formed.

*Grant Thornton UK LLP*

Matthew Buckingham  
(Senior statutory auditor)  
for and on behalf of  
**Grant Thornton UK LLP**  
Statutory Auditor, Chartered Accountants  
Birmingham  
Date: 13/11/2020

## CAPITAL ECONOMICS (N.A.) LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	As restated (note 19) 2018 £
Turnover	4	8,281,347	7,390,653
Other external charges		(9,759,153)	(337,090)
Staff costs	7	(1,348,009)	(1,211,443)
Depreciation		(1,573)	(19,661)
<b>Operating (loss)/profit</b>	5	<b>(2,827,388)</b>	5,822,459
Interest receivable and similar income	8	1,476	2,206
Interest payable and expenses	9	-	(11,474)
<b>(Loss)/profit before tax</b>		<b>(2,825,912)</b>	5,813,191
Tax on (loss)/profit	10	(198,678)	(349,992)
<b>(Loss)/profit for the financial year</b>		<b>(3,024,590)</b>	5,463,199
<b>Other comprehensive expense for the year</b>			
Currency translation differences		10,928	(37,271)
<b>Other comprehensive expense for the year</b>		<b>10,928</b>	(37,271)
<b>Total comprehensive income for the year</b>		<b>(3,013,662)</b>	5,425,928

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 10 to 25 form part of these financial statements.

**CAPITAL ECONOMICS (N.A.) LIMITED**  
**REGISTERED NUMBER: 06190831**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

			2019 £	As restated (note 19) 2018 £
<b>Fixed assets</b>	<b>Note</b>			
Tangible assets	11		28,264	30,271
Investments	12		67	67
			<u>28,331</u>	<u>30,338</u>
<b>Current assets</b>				
Debtors: amounts falling due within one year	13	15,038,451	14,949,022	
Cash at bank and in hand	14	3,323,721	1,669,600	
		<u>18,362,172</u>	<u>16,618,622</u>	
Creditors: amounts falling due within one year	15	(9,035,829)	(4,280,624)	
<b>Net current assets</b>			<u>9,326,343</u>	<u>12,337,998</u>
<b>Total assets less current liabilities</b>			<u>9,354,674</u>	<u>12,368,336</u>
<b>Net assets</b>			<u><u>9,354,674</u></u>	<u><u>12,368,336</u></u>
<b>Capital and reserves</b>				
Called up share capital	18	1,000	1,000	
Profit and loss account	17	9,353,674	12,367,336	
		<u>9,354,674</u>	<u>12,368,336</u>	

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13/11/2020

*Nit Shearing*

**N Shearing**  
 Director

The accompanying notes on pages 10 to 25 form part of these financial statements.

**CAPITAL ECONOMICS (N.A.) LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Called up share capital</b>	<b>Profit and loss account (as restated note 19)</b>	<b>Total equity (as restated note 19)</b>
	£	£	£
At 1 January 2019	1,000	12,367,336	12,368,336
<b>Comprehensive income for the year</b>			
Loss for the year	-	(3,024,590)	(3,024,590)
Currency translation differences	-	10,928	10,928
<b>Other comprehensive expense for the year</b>	-	10,928	10,928
<b>At 31 December 2019</b>	<b>1,000</b>	<b>9,353,674</b>	<b>9,354,674</b>

The notes on pages 10 to 25 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Called up share capital</b>	<b>Profit and loss account (as restated note 19)</b>	<b>Total equity (as restated note 19)</b>
	£	£	£
At 1 January 2018	1,000	6,941,408	6,942,408
<b>Comprehensive income for the year</b>			
Profit for the year	-	5,463,199	5,463,199
Currency translation differences	-	(37,271)	(37,271)
<b>Other comprehensive expense for the year</b>	-	(37,271)	(37,271)
<b>Total comprehensive income for the year</b>	-	5,425,928	5,425,928
<b>At 31 December 2018</b>	<b>1,000</b>	<b>12,367,336</b>	<b>12,368,336</b>

The notes on pages 10 to 25 form part of these financial statements.

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## **CAPITAL ECONOMICS (N.A.) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **1. General information**

Capital Economics (N.A.) Limited is a limited liability company incorporated in England and Wales. Its registered head office is located at 100 Victoria Street, London, England, SW1E 5JL.

The principal activity of Capital Economics (N.A.) Limited is the provision of regular pieces of written economic research and analysis which are sold in packages for annual subscription.

#### **2. Accounting policies**

##### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### **2.2 Financial reporting standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of CE Topco Limited as at 31 December 2019 and these financial statements may be obtained from 100 Victoria Street, London, England, SW1E 5JL.

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**CAPITAL ECONOMICS (N.A.) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)**

**2.3 Going concern**

For Going Concern, Capital Economics Group "the group" of which the company is wholly owned by, is considered. The directors have reviewed future trading and cash flow forecasts out to December 2022. Key sensitivities of client renewal rates, new client generation and uncontrolled operational costs have been considered to determine what results are likely and what is feasible. The Group has a stable, substantial customer base and has net cash resources. The Group is funded by its bank debt, loan notes and preference shares, which are not due for repayment in the next 12 months. The directors therefore do not expect the need for additional external funding. The Directors have therefore prepared the accounts as a going concern.

However, with the ongoing Covid-19 pandemic and uncertainty of its full economic impact, it is difficult for the Directors to guarantee the meeting of covenant requirements in the next 12 months and therefore conclude that this presents a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern and hence pay its debts as they fall due. The directors of CE Topco Ltd have signed a letter of support on the date of these signed accounts, confirming their intent to financially support the company for the following 12 months.

**2.4 Exemption from preparing consolidated financial statements**

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

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**CAPITAL ECONOMICS (N.A.) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)**

**2.5 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

The majority of turnover derives from regular pieces of written economic research and analysis, which are sold in packages as subscriptions. These subscriptions are recognised on a straight-line basis over the subscription period.

In the year ended 31 December 2019 the recognition method for revenue arising from subscriptions was changed to recognise the income daily across the subscription period. In prior years, including the year ended 31 December 2018, income was recognised monthly. This involved recognising a full month of revenue in the month the subscription commenced. The remaining amount of the subscription was spread over the remainder of the subscription period with equal amounts recognised in each month.

As the new policy is in accordance with FRS 102 and the previous policy was not, management has considered this an error. The error is material enough to user's interpretation of the financial statements and requires a prior year adjustment. Further details can be found in note 19.

Ad hoc projects include income generated from speaking at events, consultancy and commissioned projects which are recognised over the period of the contract as the work is performed and the service is provided to the customer.

**2.6 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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**CAPITAL ECONOMICS (N.A.) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)**

**2.6 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property - 20% straight line  
improvements  
Fixtures, fittings and equipment - 20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

**2.7 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2018 to continue to be charged over the period to the first market rent review rather than the term of the lease.

**2.8 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.9 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.10 Cash**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.



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**CAPITAL ECONOMICS (N.A.) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)**

**2.11 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

**2.12 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**2.13 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

**2.14 Finance costs**

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.15 Interest income**

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

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## **CAPITAL ECONOMICS (N.A.) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **2. Accounting policies (continued)**

##### **2.16 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

##### **2.17 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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**CAPITAL ECONOMICS (N.A.) LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

**Intercompany loans**

The directors make an assessment over the recoverability of amounts owed by group undertakings based on their knowledge of those entities and make provision for any amount considered unrecoverable.

**4. Turnover**

The whole of the turnover is attributable to the company's principal activity.

Analysis of turnover by country of destination:

	2019 £	As restated (note 19) 2018 £
United Kingdom	1,688,390	572,102
Rest of World	6,592,957	6,818,551
	<u>8,281,347</u>	<u>7,390,653</u>

**5. Operating (loss)/profit**

The operating profit is stated after charging/(crediting):

	2019 £	2018 £
Depreciation of tangible fixed assets	1,575	17,465
Difference on foreign exchange	175,720	(77,784)
Operating lease - Land & Buildings	88,594	81,180
Impairment of intercompany loans	<u>3,387,922</u>	<u>-</u>

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**CAPITAL ECONOMICS (N.A.) LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**6. Auditor's remuneration**

	2019 £	2018 £
<b>Fees payable to the company's auditor and its associates in respect of:</b>		
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<u>10,000</u>	<u>10,000</u>

**7. Employees**

	2019 £	2018 £
Wages and salaries	1,275,742	1,154,254
Social security costs	33,651	32,797
Costs of defined contribution scheme	38,616	24,392
	<u>1,348,009</u>	<u>1,211,443</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Economists	2	1
Sales	14	15
Administration	1	2
	<u>17</u>	<u>18</u>

Management consider there are no other key management personnel other than the directors. Directors remuneration is borne and disclosed by the company's intermediate parent company CE Bidco Limited.

**8. Interest receivable**

	2019 £	2018 £
Interest receivable from group companies	1,396	2,181
Other interest receivable	80	25
	<u>1,476</u>	<u>2,206</u>

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**CAPITAL ECONOMICS (N.A.) LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**9. Interest payable and similar expenses**

	2019 £	2018 £
Interest payable to group undertakings	-	11,474
	<u>-</u>	<u>11,474</u>

**10. Taxation**

	2019 £	2018 £
<b>Corporation tax</b>		
Current tax on profits for the year	-	332,934
Adjustments in respect of previous periods	197,091	22,486
Foreign tax relief	-	(5,788)
<b>Total current tax</b>	<u>197,091</u>	<u>349,632</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,965	(2,833)
Adjustment in respect of previous periods	(171)	2,895
Changes to tax rates	(207)	298
<b>Total deferred tax</b>	<u>1,587</u>	<u>360</u>
<b>Taxation on profit on ordinary activities</b>	<u>198,678</u>	<u>349,992</u>

## CAPITAL ECONOMICS (N.A.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

## 10. Taxation (continued)

## Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	As restated (note 19) 2018 £
(Loss)/profit on ordinary activities before tax	<b>(2,825,912)</b>	5,813,191
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	<b>(536,923)</b>	1,104,506
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>643,728</b>	36,629
Transfer pricing adjustments	<b>177,407</b>	-
Adjustments to tax charge in respect of prior periods	<b>196,920</b>	25,381
Effects of overseas tax rates	<b>2,655</b>	(12,857)
Tax rate changes	<b>(207)</b>	298
Group relief	<b>(284,902)</b>	(803,965)
<b>Total tax charge for the year</b>	<b>198,678</b>	349,992

## CAPITAL ECONOMICS (N.A.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

## 11. Tangible fixed assets

	Short-term leasehold property £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>			
At 1 January 2019	18,223	134,853	153,076
Additions	-	1,790	1,790
Exchange adjustments	205	(1,069)	(864)
At 31 December 2019	18,428	135,574	154,002
<b>Depreciation</b>			
At 1 January 2019	18,223	104,582	122,805
Charge for the year on owned assets	-	1,575	1,575
Exchange adjustments	205	1,153	1,358
At 31 December 2019	18,428	107,310	125,738
<b>Net book value</b>			
At 31 December 2019	-	28,264	28,264
At 31 December 2018	-	30,271	30,271

Debentures held by the ultimate parent undertaking include security in the form of a fixed charge over the company's present freehold and leasehold property, a first fixed charge over book and other debts and first floating charge over all assets.

## 12. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost</b>	
At 1 January 2019	67
At 31 December 2019	67

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**CAPITAL ECONOMICS (N.A.) LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**12. Fixed asset investments (continued)**
**Subsidiary undertaking**

The following was a subsidiary undertaking of the Company:

<b>Name</b>	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
Capital Economics (USA) Inc	USA	Economic consultants	Ordinary	100%

The registered office is 1209 Orange Street, Wilmington, New Castle, Delaware 1980.

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

<b>Name</b>	<b>Aggregate of share capital and reserves £000</b>	<b>Profit/(Loss) £000</b>
Capital Economics (USA) Inc	(3,800)	130

**13. Debtors**

	<b>2019 £</b>	<b>2018 £</b>
Trade debtors	1,384,752	1,461,924
Amounts owed by group undertakings	13,621,783	13,466,233
Other debtors	25,815	17,091
Prepayments and accrued income	5,048	1,134
Deferred taxation	1,053	2,640
	<b>15,038,451</b>	<b>14,949,022</b>

An impairment loss of £60,000 (2018: £130,000) has been recognised against trade debtors.

An impairment loss of £3,098,578 (2018: £0) has been recognised against the intercompany loan with Capital Economics (USA) Inc.

An impairment loss of £289,344 (2018: £0) has been recognised against the intercompany loan with Capital Economics (Australia) Pty Ltd.

Amounts owed by group undertakings are unsecured, repayable on demand and interest is charged at 9% on the balance held with Capital Economics (Asia) Pte. Ltd.



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**CAPITAL ECONOMICS (N.A.) LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**14. Cash and cash equivalents**

	2019 £	2018 £
Cash at bank and in hand	<u>3,323,721</u>	<u>1,669,600</u>

**15. Creditors: Amounts falling due within one year**

	2019 £	As restated (note 19) 2018 £
Trade creditors	22,222	35,905
Amounts owed to group undertakings	5,104,500	92,700
Corporation tax	-	322,334
Other taxation and social security	16,585	5,077
Other creditors	2,255	22,623
Accruals and deferred income	3,890,267	3,801,985
	<u>9,035,829</u>	<u>4,280,624</u>

Amounts owed to group undertakings are unsecured, repayable on demand and interest is charged at 9% on the balance held with Capital Economics (Asia) Pte. Ltd.

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**CAPITAL ECONOMICS (N.A.) LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**16. Deferred taxation**

	2019 £
At beginning of year	2,640
Charged to profit or loss	(1,587)
<b>At end of year</b>	<b>1,053</b>

The deferred tax asset is made up as follows:

	2019 £	2018 £
Fixed asset timing difference	1,053	1,848
Short term timing differences	-	792
	<u>1,053</u>	<u>2,640</u>

**17. Reserves****Profit and loss account**

The profit and loss account includes all current and prior period retained profits and losses.

**18. Share capital**

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
1,000 (2018 - 1,000) Ordinary shares of £1.00 each	1,000	1,000

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**CAPITAL ECONOMICS (N.A.) LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**19. Prior year adjustment**

In the year ended 31 December 2019 the recognition method for revenue arising from subscriptions was changed to recognise income daily across the subscription period. In prior years, including the year ended 31 December 2018; income was recognised monthly. This involved recognising a full month of revenue in the month the subscription commenced. The remaining amount of the subscription was spread over the remainder of the subscription period with equal amounts recognised in each month. As the new policy is in accordance with FRS 102 and the previous policy was not, management has considered this an error. The error is material enough to user's interpretation of the financial statements and requires a prior year adjustment.

As a result, the following reported comparatives in these Financial Statements are different from what would be expected considering the CE Topco Limited Annual Report and Financial Statements for the period ended 31 December 2018 signed 9 August 2019.

	Original 2018 £	Prior year adjustments £	Restated 2018 £
<b>Extracts from 2018 financial statements</b>			
<b>Statement of comprehensive income</b>			
Turnover	7,436,801	(46,148)	7,390,653
Operating profit/(loss)	5,868,607	(46,148)	5,822,459
Profit before tax	5,859,339	(46,148)	5,813,191
Profit for the financial period	5,509,347	(46,148)	5,463,199
Currency translation differences	(37,312)	41	(37,271)
Total comprehensive income for the period	5,472,035	(46,107)	5,425,928
<b>Statement of financial position</b>			
Creditors: amounts falling due within one year	(4,096,637)	(183,987)	(4,280,624)
Net current assets	12,521,985	(183,987)	12,337,998
Total assets less current liabilities	12,552,323	(183,987)	12,368,336
Net assets	12,552,323	(183,987)	12,368,336
Profit and loss account	12,551,323	(183,987)	12,367,336
<b>Statement of changes in equity</b>			
At 1 January 2018	7,079,288	(137,880)	6,941,408
Profit for the period	5,509,347	(46,148)	5,463,199
Translation differences	(37,312)	41	(37,271)
At 31 December 2018	12,551,323	(183,987)	12,367,336
At 1 January 2019	12,551,323	(183,987)	12,367,336

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**CAPITAL ECONOMICS (N.A.) LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**20. Commitments under operating leases**

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
<b>Land and buildings</b>		
Not later than 1 year	<b>64,561</b>	84,185
Later than 1 year and not later than 5 years	-	147,324
	<u><b>64,561</b></u>	<u>231,509</u>

The company had no other commitments under the non-cancellable operating leases as at the reporting date.

**21. Related party transactions**

The company has taken advantage of the exemption available in FRS 102 to not disclose transactions with other wholly owned subsidiaries in the group. No other related party transactions occurred in the year.

**22. Controlling party**

The company is a wholly owned subsidiary of Capital Economics Limited, a company incorporated in the United Kingdom. The ultimate parent company is CE Topco Limited. CE Topco Limited heads the largest and smallest group into which the results of this company are consolidated. Copies of CE Topco Limited accounts can be obtained from the company's secretary.

CE Topco Limited does not have a single ultimate controlling party by virtue that no single shareholder holds more than 50% of the voting rights.