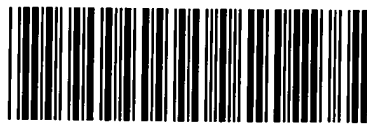


CAPITAL ECONOMICS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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CAPITAL ECONOMICS LIMITED

COMPANY INFORMATION

Directors	R Bootle M Gault (appointed 21 July 2020) N Shearing (appointed 21 July 2020)
Registered number	02484735
Registered office	100 Victoria Street London SW1E 5JL
Independent auditor	Grant Thornton UK LLP Statutory Auditor, Chartered Accountants The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT

CAPITAL ECONOMICS LIMITED

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CAPITAL ECONOMICS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

This strategic report is prepared in accordance with s414C of the Companies Act 2006. The directors present the accounts for the year ended 31 December 2019.

Capital Economics Limited ('CEL') is the former ultimate parent company of the Capital Economics group which was established in 1999. The group is principally engaged in the provision of written economic research and analysis which is sold in packages for annual subscriptions. CEL was acquired by Capital Economics Research Limited ('CER') on 24th October, 2014, which in turn was acquired by CE Topco Limited ('CET') on 26 March 2018.

CET was incorporated in March 2018 as the acquisition entity to complete the secondary management buy-out of the entire share capital of CER, together with its subsidiaries, which completed on 26 March 2018. The management buy-out was backed by Phoenix Equity Partners. As at 31 December 2019, the Group was owned by funds managed by Phoenix Equity Partners, the management, selected staff members of Capital Economics, and other funds managed by private equity investors.

Business review

The results represent the Company's activities for the twelve months to 31 December 2019 and comparative figures for the twelve months to 31 December 2018. The Company changed its revenue recognition policy in the period for the release of deferred revenue, moving from monthly to daily calculations. This had the effect of a one-off reduction to revenue for the financial year ending 31 December 2019 by £671k.

Revenue for the Company was £20.3m (2018 as restated per note 24: £14.4m), and EBITDA (earnings before interest, taxation, depreciation and amortisation) was £5.6m (2018 as restated per note 24: £2.5m).

The directors are not aware, at the date of this report, of any other likely significant changes in the Company's activities in the current year.

Future developments

2020 will see a continuation and evolution of 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. Our dedicated 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.

CAPITAL ECONOMICS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

The company's operations are exposed to a variety of financial and operational risks which could have a material impact on the group's long-term performance. At the period end the Company and Group's key risks were considered to be as set out below.

Competitive risks

There are a number of providers of independent economic research. Increased regulatory pressure on investors enhances the opportunities for independent research houses. Capital Economics has a defined niche in macro-economic research, a long and successful track record and has continued to expand its range of services. The Group won numerous awards for forecasting accuracy in the year.

Economic/Political risks

Covid-19: On 30 January, the World Health Organisation (WHO) announced Covid-19 as a global health emergency. On 11 March 2020, it announced that Covid-19 was a global pandemic. This pandemic has created varying degrees of economic pressure across industries and is expected to cause a global economic recession.

After a brief hiatus in the last two weeks of March, when most territories went into lock-down, the Group has continued to trade well, maintaining long run subscription renewal rates and new business sales. Revenue growth optimism has decreased slightly since Covid-19 however, current forecasts continue to show revenue growing year on year.

The company quickly and successfully transferred all its operations to remote working, without having to use furlough schemes or make Covid-19 redundancies. The Directors are confident this will continue and that the Group has quickly adjusted to a new way of working, without any impact on the quality of research or the productivity of the Group.

The possibility of further economic disruption has generated a material uncertainty explained in note 2.2.

MiFID (II): The EU directive covering Markets in Financial Instruments Directive MiFID (II), came into force in 2018. The directive has increased the level of regulation surrounding the provision of research and moved the financial cost of research onto the buy side, which is likely to reduce the total spend on these activities. However, management remain of the view that independent providers of research and analysis such as Capital Economics will increase their market share, and that overall this will not impede the growth of the business.

Brexit: Brexit remains a political uncertainty however, none of the outcomes of Brexit are expected to have a significant impact on business operations.

Financial risks

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

Bank deposits: The majority of the 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 Group is financed through fixed rate loan notes and bank borrowings. Due to the significant level of debt owed by the group the risk of movements in interest rates is considered significant to the Group.

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.

CAPITAL ECONOMICS LIMITED

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

Financial key performance indicators

The Company's key performance indicators ('KPIs' are revenue, and earnings before interest, tax, depreciation and amortisation ('EBITDA'). The directors do not consider there to be any non-financial KPIs applicable to the Company.

		As restated (note 24)
	2019	2018
	£000	£000
Revenue	20,324	14,416
EBITDA	5,574	2,521

This report was approved by the board on 13/11/2020

and signed on its behalf.



N Shearing
Director

CAPITAL ECONOMICS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Results and dividends

The profit for the year, after taxation, amounted to £4,968,262 (2018 (as restated per note 24) - £1,763,018).

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)

Matters covered in the strategic report

The business review and discussion of financial risk management has been included in the strategic report.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 for the Company's financial statements 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.

CAPITAL ECONOMICS LIMITED

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

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 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.

Post balance sheet events

On 30 January, the World Health Organisation (WHO) announced Covid-19 as a global health emergency. On 11 March 2020, it announced that Covid-19 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.

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

CAPITAL ECONOMICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL ECONOMICS LIMITED

Opinion

We have audited the financial statements of Capital Economics 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 profit 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 2.2 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 2.2, these events or conditions, along with the continuing economic impact of Covid-19 on the business and other matters as set forth in note 2.2, 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.

CAPITAL ECONOMICS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL ECONOMICS 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 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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have 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 Strategic report or 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.

CAPITAL ECONOMICS LIMITED

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 4, 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. 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 LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	As restated (note 24) 2018 £
Turnover	4	20,324,449	14,415,770
Other operating income	5	221,979	188,015
Other external charges		(7,145,082)	(5,033,287)
Staff costs	8	(7,827,426)	(7,049,395)
Depreciation and amortisation		(330,706)	(486,578)
Operating profit	6	5,243,214	2,034,525
Interest receivable and similar income	10	59,727	-
Interest payable and expenses	11	-	(13,501)
Profit before tax		5,302,941	2,021,024
Tax on profit	12	(334,679)	(258,006)
Profit for the financial year		4,968,262	1,763,018
Total comprehensive income for the year		4,968,262	1,763,018

There were no other items of comprehensive income for 2019 (2018: £Nil).

The notes on pages 12 to 29 form part of these financial statements.

CAPITAL ECONOMICS LIMITED
REGISTERED NUMBER: 02484735

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £	As restated (note 24) 2018 £
Fixed assets			
Intangible assets	13	996,611	381,917
Tangible assets	14	120,204	358,350
Investments	15	22,346	22,346
		<u>1,139,161</u>	<u>762,613</u>
Current assets			
Debtors: amounts falling due after more than one year	16	462,895	462,396
Debtors: amounts falling due within one year	16	18,426,271	15,763,811
Cash at bank and in hand	17	1,710,335	1,146,935
		<u>20,599,501</u>	<u>17,373,142</u>
Creditors: amounts falling due within one year	18	(10,204,707)	(11,570,062)
Net current assets		<u>10,394,794</u>	<u>5,803,080</u>
Total assets less current liabilities		<u>11,533,955</u>	<u>6,565,693</u>
Creditors: amounts falling due after more than one year	19	(123,318)	(123,318)
Provisions for liabilities			
Other provisions	21	(416,000)	(416,000)
Net assets		<u>10,994,637</u>	<u>6,026,375</u>
Capital and reserves			
Called up share capital	22	5,000	5,000
Share premium account	23	759	759
Profit and loss account	23	10,988,878	6,020,616
		<u>10,994,637</u>	<u>6,026,375</u>

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

Neil Shearing

N Shearing
 Director.

The accompanying notes on pages 12 to 29 form part of these financial statements.

CAPITAL ECONOMICS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Profit and loss account (as restated note 24)	Total equity (as restated note 24)
	£	£	£	£
At 1 January 2019	5,000	759	6,020,616	6,026,375
Comprehensive income for the year				
Profit for the year	-	-	4,968,262	4,968,262
Total comprehensive income for the year	-	-	4,968,262	4,968,262
At 31 December 2019	5,000	759	10,988,878	10,994,637

The notes on pages 12 to 29 form part of these financial statements.

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

	Called up share capital	Share premium account	Profit and loss account (as restated note 24)	Total equity (as restated note 24)
	£	£	£	£
At 1 January 2018	5,000	759	4,257,598	4,263,357
Comprehensive income for the year				
Profit for the year	-	-	1,763,018	1,763,018
Total comprehensive income for the year	-	-	1,763,018	1,763,018
At 31 December 2018	5,000	759	6,020,616	6,026,375

The notes on pages 12 to 29 form part of these financial statements.

CAPITAL ECONOMICS LIMITED

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

1. General information

Capital Economics Limited is a limited liability company. It is incorporated in the United Kingdom and its registered address is 100 Victoria Street, London, SW1E 5JL.

The principal activity of the company 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 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 these accounts are signed, confirming their intent to financially support the company for the following 12 months.

CAPITAL ECONOMICS LIMITED

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

2. Accounting policies (continued)

2.3 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.

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.

CAPITAL ECONOMICS LIMITED

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

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 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 GAAP 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 24.

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 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Software is amortised on a straight line basis over its useful economic life of 4 years.

CAPITAL ECONOMICS LIMITED

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

2. Accounting policies (continued)

2.7 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.

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:

Leasehold improvements	- 25% straight line
Fixtures, fittings and equipment	- 25% 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.

2.8 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.

2.9 Operating leases: the Company as lessor

Rental income from operating leases is credited to the Statement of comprehensive income on a straight line basis over the term of the relevant lease.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 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.

CAPITAL ECONOMICS LIMITED

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

2. Accounting policies (continued)

2.12 Cash and cash equivalents

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.

2.13 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.

2.14 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.

2.15 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.

2.16 Interest income

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

CAPITAL ECONOMICS LIMITED

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

2. Accounting policies (continued)

2.17 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.

2.18 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.

CAPITAL ECONOMICS LIMITED

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

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

Preparation of the financial statements requires management to make significant judgements and estimates.

Significant management estimates
Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry forwards can be utilised.

Significant management judgements
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 24) 2018 £
United Kingdom	11,612,345	6,381,386
Rest of Europe	3,430,544	4,579,170
Rest of the world	5,281,560	3,455,214
	<u>20,324,449</u>	<u>14,415,770</u>

During the year ended 31 December 2019, £19,217,140 (2018 as restated note 24: £12,998,611) of turnover was attributable to the provision of regular pieces of written research and analysis which are sold in packages for annual subscriptions. £1,107,309 (2018: £1,417,159) was attributable to adhoc projects.

5. Other operating income

	2019 £	2018 £
Rental income	<u>221,979</u>	<u>188,015</u>

CAPITAL ECONOMICS LIMITED

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

6. Operating profit

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

	2019 £	2018 £
Depreciation of tangible fixed assets	315,132	332,589
Amortisation of intangible assets	15,916	153,647
Exchange loss/(gain)	86,132	(6,159)
Defined contribution pension cost	126,863	116,145
Other operating lease rentals	656,522	662,676
Impairment of intercompany loan	535,312	-
	<u>3,337,664</u>	<u>3,337,664</u>

7. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	23,000	10,000
	<u>23,000</u>	<u>10,000</u>

8. Employees

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	6,825,575	6,200,234
Social security costs	874,988	733,016
Cost of defined contribution scheme	126,863	116,145
	<u>7,827,426</u>	<u>7,049,395</u>

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

	2019 No.	2018 No.
Directors	3	4
Economists	58	53
Sales	24	23
Admin	10	8
	<u>95</u>	<u>88</u>

CAPITAL ECONOMICS LIMITED

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

9. Directors' remuneration

There are no key management personnel other than directors. Directors remuneration is borne by the intermediate parent companies, CE Bidco Limited and Capital Economics Research Limited.

10. Interest receivable

	2019 £	2018 £
Interest receivable from group companies	<u>59,727</u>	<u>-</u>

11. Interest payable and similar expenses

	2019 £	2018 £
Interest payable to group undertakings	<u>-</u>	<u>13,501</u>

12. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	702,459	516,094
Adjustments in respect of previous periods	(325,453)	(196,949)
Total current tax	<u>377,006</u>	<u>319,145</u>
Deferred tax		
Origination and reversal of timing differences	(7,787)	(25,428)
Adjustments in respect of previous periods	(35,360)	(38,387)
Changes to tax rates	820	2,676
Total deferred tax	<u>(42,327)</u>	<u>(61,139)</u>
Taxation on profit on ordinary activities	<u>334,679</u>	<u>258,006</u>

CAPITAL ECONOMICS LIMITED

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

12. Taxation (continued)**Factors affecting tax charge for the year**

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

	2019 £	As restated (note 24) 2018 £
Profit on ordinary activities before tax	<u>5,302,941</u>	<u>2,021,024</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,007,559	383,995
Effects of:		
Expenses not deductible for tax purposes	142,798	106,671
Transfer pricing adjustments	202,215	-
Adjustments to tax charge in respect of prior periods	(360,813)	(235,336)
Tax rate changes	820	2,676
Group relief	(657,900)	-
Total tax charge for the year	<u>334,679</u>	<u>258,006</u>

CAPITAL ECONOMICS LIMITED

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

13. Intangible assets

	Software £
Cost	
At 1 January 2019	614,589
Additions	630,610
At 31 December 2019	<u>1,245,199</u>
Amortisation	
At 1 January 2019	232,672
Charge for the year	15,916
At 31 December 2019	<u>248,588</u>
Net book value	
At 31 December 2019	<u>996,611</u>
At 31 December 2018	<u>381,917</u>

Debentures held by an intermediate parent company include security in the form of a first floating charge over all assets

CAPITAL ECONOMICS LIMITED

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

14. Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
Cost or valuation			
At 1 January 2019	725,602	605,776	1,331,378
Additions	-	76,986	76,986
At 31 December 2019	<u>725,602</u>	<u>682,762</u>	<u>1,408,364</u>
Depreciation			
At 1 January 2019	543,859	429,169	973,028
Charge for the year on owned assets	181,743	133,389	315,132
At 31 December 2019	<u>725,602</u>	<u>562,558</u>	<u>1,288,160</u>
Net book value			
At 31 December 2019	<u>-</u>	<u>120,204</u>	<u>120,204</u>
At 31 December 2018	<u>181,743</u>	<u>176,607</u>	<u>358,350</u>

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

15. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2019	22,346
At 31 December 2019	<u>22,346</u>

CAPITAL ECONOMICS LIMITED

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

15. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Capital Economics (N.A) Limited *	100 Victoria Street, London, SW1E 5JL	Economic Consultants	Ordinary	100%
Capital Economics (Asia) Pte Limited *	1 Marina Boulevard, #28-00, Singapore	Economic Consultants	Ordinary	100%
Capital Economics Australia Pty. Limited *	58 Gipps Street, Collingwood, Vic 3086, Australia	Economic Consultants	Ordinary	100%
Capital Economics (HK) Limited *	19th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road, Central, Hong Kong	Economic Consultants	Ordinary	100%
Capital Economics (USA) Inc **	1209 Orange Street, Wilmington, New Castle, Delaware 19801	Economic Consultants	Ordinary	100%

* Direct subsidiary undertakings of the company.

** Indirect subsidiary undertakings of the company.

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 undertakings were as follows:

Name	Aggregate of share capital and reserves £000	Profit/(Loss) £000
Capital Economics (N.A) Limited *	9,355	(3,025)
Capital Economics (Asia) Pte Limited *	2,183	473
Capital Economics Australia Pty. Limited *	(1,584)	(19)
Capital Economics (HK) Limited *	8	(6)
Capital Economics (USA) Inc **	(3,800)	130

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

16. Debtors

	2019 £	2018 £
Due after more than one year		
Other debtors	462,895	462,396
	<u>462,895</u>	<u>462,396</u>
	2019 £	2018 £
Due within one year		
Trade debtors	2,633,816	2,734,674
Amounts owed by group undertakings	15,081,137	12,331,155
Amounts owed by related parties	2,590	25,523
Other debtors	41,284	77,587
Prepayments and accrued income	532,803	502,558
Deferred taxation (note 20)	134,641	92,314
	<u>18,426,271</u>	<u>15,763,811</u>

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

An impairment loss of £535,312 (2018: £Nil) has been recognised against the intercompany loan with Capital Economics (Australia) Ptd Ltd.

Amounts owed by group undertakings are unsecured, repayable on demand and interest is charged at 9.11% (2018: 9%) on the balance held with the Singapore entity only which was £1,126,291 at 31 December 2019 (2018: £813,297).

17. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	1,710,335	1,146,935
	<u>1,710,335</u>	<u>1,146,935</u>

CAPITAL ECONOMICS LIMITED

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

18. Creditors: Amounts falling due within one year

	2019 £	As restated 2018 £
Trade creditors	264,985	124,692
Amounts owed to group undertakings	-	2,089,828
Amounts owed to related parties	-	79
Corporation tax	206,082	6,401
Other taxation and social security	376,946	1,296,562
Other creditors	25,879	166,064
Accruals and deferred income	9,330,815	7,886,436
	<u>10,204,707</u>	<u>11,570,062</u>

Amounts owed to group undertakings are unsecured, repayable on demand and interest is charged at 9.11% (2018: 9%) on the balance held with the Singapore entity only which was £Nil at 31 December 2019 (2018: £166,811).

19. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Other creditors	<u>123,318</u>	<u>123,318</u>

20. Deferred taxation

	2019 £
At beginning of year	92,314
Credited to profit or loss	42,327
Utilised in year	-
At end of year	<u><u>134,641</u></u>

CAPITAL ECONOMICS LIMITED

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

20. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2019 £	2018 £
Fixed asset timing differences	47,068	34,321
Short term timing differences	87,573	57,993
	<u>134,641</u>	<u>92,314</u>

21. Provisions

	Dilapidation provisions £
At 1 January 2019	416,000
At 31 December 2019	<u>416,000</u>

The provision represents a dilapidation provision in respect of certain properties rented by the company. Of this provision, £Nil is expected to be utilised during 2020 in settlement of dilapidations on exited properties.

22. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
500,000 (2018 - 500,000) Ordinary shares of £0.01 each	<u>5,000</u>	<u>5,000</u>

23. Reserves**Share premium account**

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

Includes all current and prior period profits and losses.

CAPITAL ECONOMICS LIMITED

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

24. 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 Capital Economics Limited Annual Report and Financial Statements for the period ended 31 December 2018 signed 9 August 2019.

	Original 2018 £	Prior year adjustment £	Restated 2018 £
Extracts from 2018 financial statements:			
Strategic report			
Revenue	14,576,908	(161,138)	14,415,770
EBITDA	2,682,138	(161,138)	2,521,000
Consolidated statement of comprehensive income			
Turnover	14,576,908	(161,138)	14,415,770
Operating profit/(loss)	2,195,663	(161,138)	2,034,525
Profit before tax	2,182,162	(161,138)	2,021,024
Profit for the financial year	1,924,156	(161,138)	1,763,018
Total comprehensive income for the period	1,924,156	(161,138)	1,763,018
Consolidated statement of financial position			
Creditors: amounts falling due within one year	(10,899,450)	(670,612)	(11,570,062)
Net current assets	6,473,692	(670,612)	5,803,080
Total assets less current liabilities	7,236,305	(670,612)	6,565,693
Net assets	6,696,987	(670,612)	6,026,375
Profit and loss account	6,691,228	(670,612)	6,020,616
Statement of changes in equity			
Profit and loss account - At 1 January 2018	4,767,072	(509,474)	4,257,598
Profit and loss account - Profit for the period	1,924,156	(161,138)	1,763,018
Profit and loss account - At 31 December 2018	6,691,228	(670,612)	6,020,616
Profit and loss account - At 1 January 2019	6,691,228	(670,612)	6,020,616

25. Contingent liabilities

As at 31 December 2019 the Group and parent company had commitments under financial guarantees of £300,000 in respect of HSBC Bank.

CAPITAL ECONOMICS LIMITED

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

26. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £126,863 (2018: £116,145). Contributions totalling £25,762 (2018: £16,803) were payable to the fund at the reporting date.

27. Commitments under operating leases

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

	2019 £	2018 £
Land and buildings		
Not later than 1 year	770,661	770,661
Later than 1 year and not later than 5 years	3,082,644	3,082,644
Later than 5 years	<u>963,326</u>	<u>1,733,987</u>

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

28. Related party transactions

As the company is a wholly owned subsidiary with the group headed by CE Topco Limited, the company has taken exemptions available in FRS 102 and therefore not disclosed transactions or balances with wholly owned entities which form part of the group.

Included within debtors at the period end is an amount of £2,590 (2018: £25,523) due from Roger Bootle Limited which is a company controlled by one of the directors. During the period income of £32,649 (2018: £34,817) has also been received from this company in relation to office services.

29. Controlling party

The ultimate parent company is CE Topco Limited, a company incorporated in the United Kingdom. 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.