

Registered number: 06190831

CAPITAL ECONOMICS (N.A.) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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CAPITAL ECONOMICS (N.A.) LIMITED

COMPANY INFORMATION

Directors	R Bootle R Dowson D Ely (appointed 27 June 2019)
Company secretary	D Ely
Registered number	06190831
Registered office	100 Victoria Street London SW1E 5JL
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT

CAPITAL ECONOMICS (N.A.) LIMITED

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CAPITAL ECONOMICS (N.A.) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

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 profit for the year, after taxation, amounted to £5,509,347 (2017 - £4,263,964).

The directors paid a dividend of £Nil during the year (2017: £5,200,000).

Directors

The directors who served during the year were:

R Bootle
J Loynes (resigned 20 July 2018)
M Harris (resigned 27 June 2019)
R Dowson

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.

CAPITAL ECONOMICS (N.A.) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Future developments

2019 will see a raft of new strategic initiatives to boost the Company's growth. These include the substantial improvement of core business operations, particularly the diversification of the sales and marketing approach. This will involve the expansion of the account management team to focus more attention on servicing the Company's biggest clients, the recruitment of more experienced new business sales people and the launch of a digital marketing programme. To implement this, the sales management team has been reorganised to bolster capability in each office and correspondingly reduce overhead in London.

Three new services are planned. A new Asset Allocation service should particularly appeal to the Company's large investment management client base, seeking the implications of macroeconomic forecasts on future asset prices. A new US Commercial Property service will complement those in the UK and Europe. The Corporate Strategist service will be the first to focus on non-financial clients, an audience which should be a major source of growth in future.

Finally, the business has started to invest more heavily in digital service delivery. We believe that we have long since had the strongest independent macroeconomic offering in the market. We now need to make sure that we deliver that insight in whatever format, and through whichever medium clients would like. We will invest in more client research to establish those needs, then deliver publications through substantially improved online and mobile platforms to meet them.

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.

Disclosure of information to auditor

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 they ought to have taken as directors in order to make themselves 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.

CAPITAL ECONOMICS (N.A.) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditor

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

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 9 August 2019 and signed on its behalf.



R Dowson
Director

CAPITAL ECONOMICS (N.A.) LIMITED

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

Opinion

We have audited the financial statements of Capital Economics (N.A.) Limited (the 'company') for the year ended 31 December 2018, 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 2018 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

CAPITAL ECONOMICS (N.A.) LIMITED

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' 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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a Strategic report.

CAPITAL ECONOMICS (N.A.) LIMITED

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

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. This description forms part of our auditor's report.

Use of our report

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

David Munton UK LLP

David Munton BSc(Hons) FCA
(Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
Birmingham

Date: *9 April 2019*

CAPITAL ECONOMICS (N.A.) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	7,436,801	7,544,646
Other external charges		(337,090)	(1,643,190)
Staff costs	7	(1,211,443)	(1,375,342)
Depreciation and amortisation		(19,661)	(11,812)
Operating profit	5	5,868,607	4,514,302
Interest receivable and similar income	8	2,206	741,992
Interest payable and expenses	9	(11,474)	(23,330)
Profit before tax		5,859,339	5,232,964
Tax on profit	10	(349,992)	(969,000)
Profit for the financial year		5,509,347	4,263,964
Other comprehensive expense for the year			
Currency translation differences		(37,312)	(24,644)
Other comprehensive expense for the year		(37,312)	(24,644)
Total comprehensive income for the year		5,472,035	4,239,320

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

The notes on pages 11 to 24 form part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	12	30,271	23,262
Investments	13	67	67
		<u>30,338</u>	<u>23,329</u>
Current assets			
Debtors: amounts falling due within one year	14	14,949,022	10,971,443
Cash at bank and in hand	15	1,669,600	1,530,117
		<u>16,618,622</u>	<u>12,501,560</u>
Creditors: amounts falling due within one year	16	(4,096,637)	(5,444,601)
Net current assets		<u>12,521,985</u>	<u>7,056,959</u>
Total assets less current liabilities		<u>12,552,323</u>	<u>7,080,288</u>
Net assets		<u>12,552,323</u>	<u>7,080,288</u>
Capital and reserves			
Called up share capital	19	1,000	1,000
Profit and loss account	18	12,551,323	7,079,288
		<u>12,552,323</u>	<u>7,080,288</u>

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

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



9 August 2019

R Dowson
Director

The accompanying notes on pages 11 to 24 form part of these financial statements.

CAPITAL ECONOMICS (N.A.) LIMITED

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	1,000	7,079,288	7,080,288
Comprehensive income for the year			
Profit for the year	-	5,509,347	5,509,347
Currency translation differences	-	(37,312)	(37,312)
Other comprehensive expense for the year	-	(37,312)	(37,312)
Total comprehensive income for the year	-	5,472,035	5,472,035
At 31 December 2018	1,000	12,551,323	12,552,323

The notes on pages 11 to 24 form part of these financial statements.

CAPITAL ECONOMICS (N.A.) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	1,000	8,039,968	8,040,968
Comprehensive income for the year			
Profit for the year	-	4,263,964	4,263,964
Currency translation differences	-	(24,644)	(24,644)
Other comprehensive expense for the year	-	(24,644)	(24,644)
Total comprehensive income for the year	-	4,239,320	4,239,320
Contributions by and distributions to owners			
Dividends: Equity capital	-	(5,200,000)	(5,200,000)
Total transactions with owners	-	(5,200,000)	(5,200,000)
At 31 December 2017	1,000	7,079,288	7,080,288

The notes on pages 11 to 24 form part of these financial statements.

CAPITAL ECONOMICS (N.A.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 company has elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019. The company has considered all improvements and clarifications made as part of its decision to early adopt the amendments to FRS 102 and has not identified any implications to these financial statements.

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 11.41(b), 11.41(c), 11.41(e), 11.41(f), 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 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- 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 2018 and these financial statements may be obtained from 100 Victoria Street, London, England, SW1E 5JL.

2.3 Going concern

The directors have reviewed future trading and cashflow forecasts. The group has a substantial customer base, has net cash resources and does not expect to need additional external funding in order to continue to trade for the foreseeable future. The directors have therefore, prepared the financial statements on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.4 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 the turnover derives from regular pieces of written economic research and analysis, which is sold in packages for subscriptions and which is recognised on a straight line basis over the subscription period. A full month of revenue is recognised in the month in which the subscription package commences and the remaining amount is spread over the remainder of the subscription period with equal amounts recognised each month.

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.

2.5 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.5 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 improvements	- 20% straight line
Fixtures, fittings and equipment	- At rates between 50% straight line and 20% reducing balance

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.

2.6 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 2017 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.8 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.

2.9 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.10 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

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 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.16 Interest income

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

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

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.

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.

CAPITAL ECONOMICS (N.A.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Turnover

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

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	589,474	96,131
Rest of World	6,847,327	7,448,515
	<u>7,436,801</u>	<u>7,544,646</u>

5. Operating profit

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

	2018 £	2017 £
Depreciation of tangible fixed assets	17,465	11,812
Difference on foreign exchange	(77,784)	272,643
Operating lease - Land & Buildings	81,180	71,563
	<u>11,861</u>	<u>355,018</u>

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates in respect of:		
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	10,000	9,900
Tax compliance services	-	2,000
	<u>10,000</u>	<u>11,900</u>

Non-audit services are borne and disclosed by the company's intermediate parent company Capital Economics Research Limited.

CAPITAL ECONOMICS (N.A.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. Employees

	2018 £	2017 £
Wages and salaries	1,154,254	1,309,168
Social security costs	32,797	35,093
Costs of defined contribution scheme	24,392	31,081
	<u>1,211,443</u>	<u>1,375,342</u>

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

	2018 No.	2017 No.
Economists	1	2
Sales	15	21
Administration	2	2
	<u>18</u>	<u>25</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 Capital Economics Research Limited.

8. Interest receivable.

	2018 £	2017 £
Interest receivable from group companies	2,181	741,819
Other interest receivable	25	173
	<u>2,206</u>	<u>741,992</u>

9. Interest payable and similar expenses

	2018 £	2017 £
Interest payable to group undertakings	<u>11,474</u>	<u>23,330</u>

CAPITAL ECONOMICS (N.A.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	332,934	972,000
Adjustments in respect of previous periods	22,486	-
Foreign tax relief	(5,788)	-
Total current tax	349,632	972,000
Deferred tax		
Origination and reversal of timing differences	(2,833)	(3,000)
Adjustment in respect of previous periods	2,895	-
Changes to tax rates	298	-
Total deferred tax	360	(3,000)
Taxation on profit on ordinary activities	349,992	969,000

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	5,859,339	5,232,964
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	1,113,274	1,007,346
Effects of:		
Expenses not deductible for tax purposes	27,861	1,654
Foreign tax credits	-	(40,000)
Adjustments to tax charge in respect of prior periods	25,381	-
Effects of overseas tax rates	(12,857)	-
Tax rate changes	298	-
Group relief	(803,965)	-
Total tax charge for the year	349,992	969,000

CAPITAL ECONOMICS (N.A.) LIMITED

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11. Dividends

	2018 £	2017 £
Dividends paid on equity capital	-	5,200,000

12. Tangible fixed assets

	Short-term leasehold property £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 January 2018	18,680	112,564	131,244
Additions	-	29,084	29,084
Disposals	-	(4,041)	(4,041)
Exchange adjustments	(457)	(2,754)	(3,211)
At 31 December 2018	18,223	134,853	153,076
Depreciation			
At 1 January 2018	18,680	89,302	107,982
Charge for year	-	17,465	17,465
Exchange adjustments	(457)	(2,185)	(2,642)
At 31 December 2018	18,223	104,582	122,805
Net book value			
At 31 December 2018	-	30,271	30,271
At 31 December 2017	-	23,262	23,262

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 bank and other debts and first floating charge over all assets.

CAPITAL ECONOMICS (N.A.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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13. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2018	67
At 31 December 2018	67
Net book value	
At 31 December 2018	67
At 31 December 2017	67

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

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

Name	Registered office
Capital Economics (USA) Inc	1209 Orange Street, Wilmington, New Castle, Delaware 19801

The aggregate of the share capital and reserves as at 31 December 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £000	Profit/(loss) £000
Capital Economics (USA) Inc	(4,036)	(371)

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14. Debtors

	2018 £	2017 £
Trade debtors	1,461,924	1,327,320
Amounts owed by group undertakings	13,466,233	9,635,415
Other debtors	17,091	5,708
Prepayments and accrued income	1,134	-
Deferred taxation	2,640	3,000
	<u>14,949,022</u>	<u>10,971,443</u>

An impairment loss of £130,000 (2017: £130,000) has been recognised against trade debtors.

Amounts owed by group undertakings are unsecured, repayable on demand and interest is charged at 9% on the balance held with the Singapore entity only.

15. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>1,669,600</u>	<u>1,530,117</u>

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	35,905	7,480
Amounts owed to group undertakings	92,700	758,232
Corporation tax	322,334	1,075,501
Other taxation and social security	5,077	8,877
Other creditors	22,623	13,242
Accruals and deferred income	3,617,998	3,581,269
	<u>4,096,637</u>	<u>5,444,601</u>

Amounts owed to group undertakings are unsecured, repayable on demand and interest is charged at 9% on the balance held with the Singapore entity only.

On 21 December 2018 the group entered into forward contracts with termination dates ranging from 21 March 2019 to 22 June 2020. The mark to market value of the instruments on the 31 December 2018 was £28,426. This amount has not been included in the statement of financial position as at the reporting date on the grounds of immateriality.

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**NOTES TO THE FINANCIAL STATEMENTS
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17. Deferred taxation

	2018 £
At beginning of year	3,000
Credited to profit or loss	(360)
At end of year	<u>2,640</u>

The deferred tax asset is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	-	3,000
Fixed asset timing difference	1,848	-
Short term timing differences	792	-
	<u>2,640</u>	<u>3,000</u>

18. Reserves**Profit and loss account**

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

19. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1,000 (2017 - 1,000) Ordinary shares of £1.00 each	<u>1,000</u>	<u>1,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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20. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Land and buildings		
Not later than 1 year	84,185	86,018
Later than 1 year and not later than 5 years	147,324	150,591
	<u>231,509</u>	<u>236,609</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. Post balance sheet events

There have been no significant events affecting the company since the year end.

23. 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.