

50  
YEARS  
CELEBRATING  
50 YEARS OF CBI

CBI  
THE VOICE OF BUSINESS

# ANNUAL REPORT & ACCOUNTS 2014







## CONTENTS

<i>President's foreword</i>	<b>4</b>
<i>Director-general's foreword</i>	<b>6</b>
<i>About the CBI</i>	<b>8</b>
<i>Achieving for business</i>	<b>10</b>
<i>The year ahead</i>	<b>12</b>
<i>Key office holders and directors</i>	<b>14</b>
<i>Operational and financial statements</i>	<b>16</b>
<i>Statement of responsibilities in relation to the accounts</i>	<b>20</b>
<i>Independent auditor's report to the members of the CBI</i>	<b>22</b>
<i>The UK corporate governance code</i>	<b>24</b>
<i>CBI Board</i>	<b>26</b>
<i>Audit Committee</i>	<b>28</b>
<i>Going concern</i>	<b>29</b>
<i>Internal controls and financial reporting</i>	<b>30</b>
<i>Income and expenditure account</i>	<b>31</b>
<i>Balance sheet</i>	<b>32</b>
<i>Cashflow statement</i>	<b>33</b>
<i>Statement of total recognised gains and losses</i>	<b>33</b>
<i>Notes to the accounts</i>	<b>34</b>





## President's foreword

*At home, the UK's economic recovery continues with growth of 2.7% predicted for 2015 and unemployment at its lowest level since 2008. Our surveys also continue to report that business confidence is on the up. However, this sentiment is not evenly felt. The manufacturing sector, in particular, is facing weak export demand as activity in the eurozone – our largest trading partner – remains subdued.*

The last 12 months have also been marked by significant political events. Scotland voted to remain in the Union last September, but with the promise of significant further devolution of power, triggering a debate on devolved power across the rest of the UK. The general election returned a majority Conservative government and with it the certainty of an EU referendum.

In this economic and political context, the CBI must continue to deliver its messages on growth and recovery for all, navigate the substantial political risks and help shape the policy agenda by making the voice of the business community heard. Where we see the economy grow we must also see these improvements in the daily lives of the public. Wage growth has started to pick up but has some way to go to match pre-economic crisis levels.

The CBI had another excellent annual conference in November, featuring three political leaders, and a number of inspiring presentations by business leaders from all aspects of the UK's business community. Along with numerous reports and research released last year, the CBI continues to be a respected voice with strong evidence-led positions and policies, resolutely factual and apolitical.

My thanks, as ever, go to CBI Board members who provide excellent counsel and an unwavering commitment to the CBI. I was delighted that at the end of last year Heidi Mottram, chief executive of Northumbrian Water, joined the Board. I know that her experience in industry, and as a former chair of the CBI's North East Council, will be hugely valuable.

The CBI executive team under John Cridland's leadership has continued to deliver. The ongoing success of the CBI is testament to the hard work and dedication from the senior management team and all CBI staff who have strived to provide value for our members.

As I approach the end of my presidency I would like to extend a heartfelt thanks to all the members I have had the pleasure of meeting over the past two years. It is their support and loyalty which allows us to raise the bar on our success year after year.



**Sir Mike Rake**  
CBI president





## Director-general's foreword

*2015 is a significant milestone for the CBI as we celebrate our fiftieth anniversary. It is also a year of political and economic change for the UK. The economy grew by 2.8% last year, the highest growth since 2006, and with unemployment falling and real wages on the increase it feels like we're on the right track.*

But at the same time we still face significant challenges. As the labour market continues to tighten, skills shortages are becoming a key threat to our competitiveness, and beyond our borders the eurozone still provides uncertainty. On the political front we have a new government, which in the short term inevitably creates further uncertainty for business.

In 2014 we worked hard on a broad range of fronts to prepare for this critical election year, working with our members to establish pro-enterprise policies that would tackle some of the urgent issues the UK is facing: reviving our manufacturing sector and tackling living standards at home, and promoting the benefits of the EU's trade links as part of a reformed EU.

In the autumn we launched the Great Business Debate, designed to dispel some of the myths around business and engage directly with the public, through partnerships with Which? and Mumsnet. This campaign has already garnered significant support from a range of stakeholders and is stimulating a much-needed debate about the contribution that business plays in society.

The CBI's priority areas for 2015 remain focused on the need to reduce the fiscal deficit and push for broad-based growth. Our *Best foot forward* publication sets out the business agenda for the government's first 100 days, identifying immediate priorities and policies which if adopted could set the country on course for increased investment and greater opportunity for all.

In my final year as director-general my particular priorities will include the role that medium-sized businesses play in the economy, and the need to find more patient forms of capital which will allow them to grow and prosper and making sure schools are part of the UK's long-term growth strategy.

I am pleased to say that the CBI has had another satisfactory year financially. Our operating profit, before tax increased to £705k compared with £669k in 2013. The cash position at the year-end was £6.3m.

Last year we set out ambitious plans to increase our gender diversity and we are already seeing positive results, with nearly one third female attendance at our annual conference, and five of our policy-making committees chaired by women. We have much more to do and the CBI will be exploring what progress we can make on other types of diversity during the next 12 months, as well as gender.

2014 has been a busy but successful year for the CBI and 2015 continues to be just as busy. Our golden jubilee celebrations started with the launch of a book *CBI: 50 years of business innovation* and there are a number of events planned around the UK to follow so that we can celebrate this significant year with our members.

I am immensely proud to be leading the CBI in such an exciting year for the CBI and in such an important year for the UK and I am grateful for the ongoing support and commitment of our members.

*John Cridland*

**John Cridland**  
CBI director-general



# About the CBI

*Our mission is to create and sustain the conditions in which business in the UK can compete effectively and prosper for the benefit of all. To do this we campaign for a competitive business landscape, in the UK, in Brussels and internationally. In fulfilling our mission we speak on behalf of 190,000 businesses of all sizes and sectors in the UK, both directly and through our network of 140 trade association members. Together our members employ nearly seven million people – about one third of the private sector-employed workforce.*

### A unique role

The CBI is privileged to work with both the business community and the government, performing a unique role in bridging these two worlds. The CBI's dedicated staff are out meeting Whitehall officials and business people every day of the week, learning about business priorities, picking up intelligence about the health of the economy and using this to inform policymaking across the UK and internationally.

### Membership of the CBI

Businesses join the CBI for three reasons. Firstly to benefit from the intelligence we can provide working every day with colleagues in Whitehall and Westminster and by sharing up to the minute economic intelligence across a range of business sectors. Secondly to influence government policy, working with other businesses to help promote the growth agenda, and ensure the government of the day is informed about how its agenda will impact the business community. Business leaders also join the CBI because it is an unrivalled network. Regionally, nationally and internationally the CBI offers regular opportunities for chief executives to share views across different sectors and sizes of companies. By offering relevant intelligence, unparalleled access and influence and an exclusive business network we maintain our position as the UK's premier business lobbying organisation.

### Diversity at the CBI

In 2014 we made a commitment to increase our diversity, initially focusing on gender. The CBI's internal employee gender diversity can be seen on page 17. Our target was to reach 30% female participation in our member activities over three years on a 'comply or explain' basis.

At the end of our first year, the level of female participation in our main committees, boards and

councils stands at 19%, an increase of 3% on our baseline from 2014. In that time we have learnt a lot about the best ways to engage female business leaders and have put proactive mechanisms in place to engage more women in sectors and activities where it has traditionally been difficult to do so. For example over 100 senior business leaders have attended our Women in Leadership events across the regions and nations, and the increased volume of female participation in the CBI's Leadership Programme is enabling us to reach a much wider range of people. While we have much more work to do we are therefore confident of meeting our target in another two years.

In some specific activities we are near to or already hitting our target:

- **25%** of our regional council chairs are women
- **32%** female attendance at our Annual Conference
- **44%** of the CBI Board are women

### Our governance

The CBI was set up by Royal Charter in 1965. This governs how we run as a not-for-profit membership organisation and how we establish CBI policy on issues of the day.

The CBI Council is the formal governing body for the CBI and comprises the members of the regional and national councils, President's Committee, the Enterprise Forum, the Trade Association Council and the past six presidents. Its authority on operational issues has been delegated to the CBI Board and on policy matters to the Chairmen's Committee, with advice from the President's Committee.

### The CBI Board

Strategic, operational and financial decisions are decided on by the CBI Board, which is chaired by the president and includes the support and guidance of five other non-executives. The Board is assisted by

an Audit Committee, chaired and guided by two of the non-executives that sit on the Board, which increased to three in 2015. In line with corporate governance best practice, the non-executive members of the Board provide independent knowledge, judgement and expertise and constructively challenge the executive members of the board who comprise the director-general, deputy director-general, and resources director (see key office holders, pages 14 and 15).

### CBI policymaking

The CBI forms its policy positions through an extensive programme of member consultation on each and every issue, ranging from surveys, ad hoc working groups and roundtable events, to our more formal geographically-based councils and subject-based standing committees.

Final policy decisions are taken by our Chairmen's Committee, which has a seat for all of the chairs of our nine regional councils from England, our three national councils from Scotland, Wales and Northern Ireland, our eight subject-based standing committees, our Enterprise Forum and our Trade Association Council.

Each of our regional and national council members is elected to a term of office, by the rest of the CBI's membership based in that region, while our standing committee members are invited to join based on their sector experience and technical expertise. Nearly 900 members sit on our councils and committees and meet four times a year to help frame and review CBI policy.

The CBI Trade Association Council is a vital part of this policymaking infrastructure. Chief executives of around 50 of our 140 trade association members are regularly consulted on all aspects of CBI policy, bringing the views of their members to ensure the CBI is as representative as possible of the business community at large.

This process is supported in an advisory capacity by the President's Committee, which comprises up to 80 of the UK's largest businesses, as well as the chairs of our Enterprise Forum and Trade Association Council.

### CBI leaders

The CBI is led by a non-executive CBI president and an executive director-general, who are effectively the CBI's chairman and chief executive. The president is nominated by the Chairmen's Committee and elected by the annual general meeting once a year, for a maximum of two terms, while the director-general is appointed by the CBI Board and Chairmen's Committee for a five-year term.

## CHAIRMEN'S COMMITTEE

### CBI PRESIDENT

#### Regional councils

East Midlands  
East of England  
London  
North East  
North West  
South East  
South West  
West Midlands  
Yorkshire and Humber

#### National councils

Northern Ireland  
Scotland  
Wales

#### Standing committees

Construction Council  
Infrastructure Board  
Economic Growth Board  
Employment & Skills Board  
Public Services Strategy Board  
Enterprise Forum  
Taxation Committee  
Energy & Climate Change Board  
Trade Association Council  
Financial Services Council



## Achieving for business

*The UK is continuing its journey back to growth, but while there is much cause for optimism, many challenges remain. Long-term prosperity rests on tackling these challenges, from getting the public finances in order and securing growth that makes a difference for everyone, to building new homes for people to live in and reforming Europe for the better. In the run-up to the election we focused our efforts on urging all politicians to make the right choices to create an environment that sustains the recovery and ensures that the benefits of growth are felt by all. The CBI has had a busy year working with members to deliver on these policy themes and achieve real results for business.*

### Winning the public's confidence in business

CBI members know that business needs the trust of the public – its consumers and employees – if it is to prosper, grow and be listened to on the big issues affecting our economy and society.

To address this challenge the CBI launched The Great Business Debate in September 2014. The campaign has focused on explaining the contribution business makes and encouraging constructive debate about why public trust has been impacted and what needs to be done about it.

In its first six months the campaign has generated a significant debate on critical issues for business reputation, from tax, to pay and progression, consumer choice, diversity and environmental impact.

To be really effective the Great Business Debate needs to reach new audiences. Through events with Which? and Mumsnet and through our digital campaign drawing attention to content on our website from stakeholders such as Oxfam, Teach First, Scope and the Prince's Trust we are doing exactly that so that we can learn from others and start to promote a different debate about the role of business in society.

### Securing a global future for Britain in a reformed Europe

Ensuring the UK has a role in a reformed European Union remains a key priority for the CBI and was a key discussion point at our annual conference in November 2014.

To bolster this campaign we have developed new reform messages on the benefits of completing the single market, the merits of the digital single market, and the case for the Transatlantic Trade and Investment Partnership.

Through senior political meetings in the UK and at least eight other European capitals the CBI has been using its influence to persuade policymakers of the need for reform in Europe and the case for the UK to remain part of a reformed EU at home. High profile events with former prime minister Tony Blair in June 2014 and with David Cameron and six other European prime ministers in December have enabled the CBI to take these messages to a much wider audience.

### Boosting business capacity to grow and compete

At the core of the CBI's mission is the ambition to create and sustain the conditions in which business can compete and prosper for the benefit of all. With business investment generally on the rise the CBI focused its efforts during the course of 2014 on promoting the role of supply chains, medium-sized businesses and increasing exports.

During the last twelve months we have worked with medium-sized businesses to develop policy ideas on how to reduce their tax burden and access different sources of finance. While much more could be done to support MSBs, the government has set up a new MSB unit to provide tax help to medium-sized firms and announced a £100m scheme to help companies scale up from small to medium size. The CBI's first MSB Summit in December 2014 and our continuing programme of regional M Club events have also enabled this vital part of the business community to share ideas around the best ways to grow.

Strengthening UK supply chains is also an important part of creating the conditions for businesses to compete effectively. The CBI's report *Pulling together* identified a number of opportunities to revitalise the UK's supply chains, adding a potential £30bn to the

economy by 2025, such as widening the R&D tax credit and offering financial incentives for STEM degrees.

### Getting Britain building to deliver investment and jobs

Increasing investment in the UK's infrastructure and housing market has been a key part of the CBI's growth messages since the recession and 2014 was no different. Our roads, railways, ports, airports, energy and housing supply, and increasingly our digital communications infrastructure are suffering from a lack of investment, with knock-on impacts for business operations and growth opportunities.

The CBI has tackled these issues head on during the last 12 months, for example by urging the government to streamline the planning process to help increase the supply of new housing, and by highlighting the critical need for greater airport capacity at a single hub so that UK firms can respond quickly to new market opportunities abroad.

CBI calls for an end to stop-start funding of the road network were met with the launch of the government's £15bn five-year Road Investment Strategy and the announcement of funding for CBI priority projects including the dualling of the A303, with a tunnel under Stonehenge, and upgrades to the A1.

### Ensuring growth makes a difference to everyone

The CBI's role is to promote the conditions for business to grow so that everyone can prosper. This became an even greater focus of our work in 2014 through the CBI's report *A better off Britain*. This work recognises the challenges faced by hard-working families and sets out recommendations for business and government that would reduce the burden, such as easing the high cost of childcare and creating new 'learn while you earn' routes – all of which will help build a stronger and more sustainable economy as well as offering much-needed help to British families.

To complement this campaign the CBI's work on education continues to be an important focus. At all stages of education we have been generating new ideas that will help individuals get on in life and ensure the UK economy has the skills it needs to grow. We have urged the government to prioritise science, technology, engineering and maths skills in the primary school curriculum, argued for a fundamental rethink of GCSEs and shared best practice ideas on how universities and businesses can build successful partnerships.

## ANNUAL CONFERENCE 2014

1,500

1,500 news items from our annual conference

9,200

9,200 tweets from over 4000 contributors using #CBI2014



3

Keynote addresses from three major political party leaders



## The year ahead

*The CBI's focus in 2015/16 will be urging the new government to prioritise pro-enterprise actions which create long-term prosperity and increase investment and opportunity for everyone in the UK. To achieve this the CBI will invest time in building a constructive and positive working relationship with the new government and urge it to concentrate on the steps we've identified to build a better Britain. Our action plan for the new government's first 100 days – Best foot forward – sets out the headline priorities for business in the early days of the new government and businesses' benchmarks for early success.*

Business wants to see swift action to stay on top of the public finances; cutting the deficit while prioritising investment and innovation. Alongside this we need to create the right environment to get new infrastructure built, showing the appetite to make the big decisions needed to unleash growth. Crucially, to increase opportunities for more young people our education and skills systems need to prepare them with what they need for success.

Underlying all of this we must embrace the openness which has always been at the root of Britain's success – to trade, people, investment and ideas from abroad, and of competitive markets here at home. With an EU referendum on the horizon we will put fresh energy into our campaign to secure key reforms to the European Union, as set out in the CBI's *Our global future* report, as well as persuading the public that for business the benefits of the UK's EU membership outweigh the costs and no current alternative offers a better option for the UK.

Alongside these priorities, the CBI will be pushing for progress towards our vision for the whole of the parliament – drawing from our existing policy priorities and those which form according to the political and economic direction of public policy, here in the UK and in the European Union. We will be ready to react quickly to new initiatives from the government while consolidating the key policy messages that we have formed in the past year.

That means working on the schools agenda to ensure effective reform, particularly of 14-18 education, influencing the debate on devolution to ensure coherent and lasting change, encouraging swift decisions on additional runway capacity in light of the Davies Commission, exploring new opportunities for medium-sized businesses to scale up and expand internationally, playing their role in Britain's recovery and consolidating the early success of the Great Business Debate to bring fresh perspectives to the debate on business trust.



*For many of the challenges facing the UK, business should be at the very centre of the solution.*



John Cridland, CBI director-general





## Key office holders and directors\*

### President

**Sir Mike Rake**  
Chairman, BT

### CBI Board members

**John Cridland CBE**  
Director-general, CBI

**Paul Drechsler CBE**  
Chair, Teach First

**Andy Green**  
Independent  
non-executive director,  
ARM Holdings plc

**Katja Hall**  
Deputy director-general,  
CBI

**Nigel Hopkins**  
Resources director, CBI

**Heidi Mottram OBE**  
CEO, Northumbrian Water  
Limited

**Sharon Thorne**  
Managing partner regional  
markets, Deloitte LLP

**Linda Urquhart OBE**  
Chair, Morton Fraser LLP

### Standing committee chairs

**Construction council**  
Steve Hindley CBE DL,  
Executive chairman,  
Midas Group plc

**Economic growth board**  
Vindi Banga, partner,  
CD&R LLP

**Employment and skills board**  
Keith Atwood, governor,  
Angela Ruskin University

**Energy and climate change board**  
Ben Verwaayen  
general partner,  
Keen Venture Partners

**Enterprise forum**  
Mike Kapur,  
Chief executive,  
Signum Corporate  
Communications Ltd

**Financial service council**  
Richard Holmes, CEO  
Europe, Standard  
Chartered Bank

**Infrastructure board**  
Mark Elborne, president  
& CEO, GE UK & Ireland

**Public services strategy board**  
Ruby McGregor-Smith  
CBE, chief executive,  
Mitie Group plc

**Taxation committee**  
Will Morris, director,  
Global Tax Policy, GE

**Trade association council**  
Melanie Leech, chief  
executive, British Property  
Federation

### Regional and national chairs

**East Midlands**  
David Bell, chief corporate  
development officer,  
JC Bamford Excavators Ltd

**East of England**  
Angela Rushforth, group  
managing director,  
Ridgeons Ltd

**London**  
Mark Cahill, managing  
director, Manpower Group  
UK & Ireland

**North East**  
Alison Thain, group chief  
executive, Thirteen Group

**Northern Ireland**  
Colin Walsh, managing  
director, Crescent Capital  
NI Ltd

**North West**  
George Beveridge, deputy  
managing director,  
Sellafield Ltd

**Scotland**  
John Howie, managing  
director – naval marine,  
Babcock International  
Group plc

**South East**  
Ute Bockstegers, chief  
financial officer, Bayer UK  
& Ireland

**South West**  
Professor Steven West,  
vice chancellor  
& president, University  
of West of England, Bristol

**Wales**  
Chris Sutton, director, JLL

**West Midlands**  
Mike Wright, executive  
director, Jaguar Land  
Rover

**Yorkshire and Humber**  
Phil Jones, chief executive,  
Northern Powergrid

### Directors

**Director-general**  
John Cridland CBE

**Deputy director-general**  
Katja Hall

**Chief membership director**  
Sara Parker

**Business environment**  
Rhian Kelly

**Campaigns & governance**  
Andy Bagnall

**Corporate communications**  
Audrey Nelson

**Competitive markets**  
Matthew Fell

**Devolution**  
Nicola Walker

**Economics**  
Rain Newton-Smith

**Employment & skills**  
Neil Carberry

**Human resources**  
Elaine McFarlane

**International**  
Simon Moore

**Member relations & London**  
Lucy Haynes

**Member relations, regions & nations**  
Sarah Green

**Resources**  
Nigel Hopkins

\*as of March 2015



*The breadth of its  
members – throughout  
the country and across  
industry – makes the CBI  
the voice of business.*

Ruby McGregor-Smith CBE, chief executive of Mitie Group plc



## Operational and financial statements

*This section sets out the details of how the CBI operates as a business, from working with partners and suppliers, to its people policies, and includes our financial position.*

### Partners and suppliers

The CBI partners with many organisations for both its core policy work and commercial activities. All such arrangements are properly documented and managed so that expectations are both agreed and assessed. This is particularly important in the case of event sponsorships which totalled £1.9m in 2014 (2013: £1.9m). Both CBI national and regional events are run on a commercial basis but their primary objective is to further the CBI's principal role, the net income from these commercial activities – of £1.1m in 2014 (2013: £1.6m) – is used to fund the core activities.

The CBI has a policy of not taking excess credit from its suppliers and has signed up to the Prompt Payment Code. It pays suppliers in accordance with terms and conditions agreed when orders are placed – the default is within 30 days of invoice date. At 31 December 2014 the CBI had 26 days purchases outstanding (2013: 11 days).

### Employees

The CBI aims to create a working environment that enables employees to enjoy their work, develop and provide the best possible service to the CBI, its members and the organisations the CBI works with. To this end the CBI has policies addressing health, safety, diversity, disability, performance measurement, grievances, harassment and employee relations. These policies are continually reviewed against best practice standards and updated as necessary. All staff are informed of these policies and have access to them and there is an elected staff council.

The recruitment of staff includes an assessment of skills for the role and these are maintained by training, the need for which is assessed in the annual appraisal and counselling system.

The CBI is committed to the development and training of its staff – both for corporate and personal benefits.

The current gender profile of CBI employees at 31 December is:

Gender	No. of employees	% of employees
Male	103	44.98%
Female	126	55.02%

The current gender profile of the CBI Management Board at 31 December is:

Gender	No. of employees	% of employees
Male	6	40%
Female	9	60%

### Environment

The CBI has continued to apply its environmental policy which seeks to reduce the footprint of its activities where both possible and economically viable as a first priority. Total energy consumption in 2014 has reduced from 2013 as a result of the move to Cannon Place. Carbon emissions have decreased by 396 tonnes of CO<sub>2</sub>e, or 39%, from 1014 tonnes of CO<sub>2</sub>e to 618 tonnes of CO<sub>2</sub>e in 2014. The CBI has benefited from more efficient lighting systems which are sensory operated and heating/ventilation systems.

### Governance

The CBI is committed to a system of corporate organisation and governance appropriate for a listed company complying with the Code wherever practicable. This is adjusted as best practice and the circumstances of the CBI dictate. The organisation and governance are described in detail on pages 8 and 9.



## Finances

The CBI's total income for 2014 at £25.6m was £1.2m higher than that for the previous year and total expenditure for the year, at £24.9m, was also £1.2m higher than the previous year (including the exceptional items relating to the office move to Cannon Place). As a result the operating surplus was £0.7m against £0.7m in 2013. The retained surplus after taxation for the year was £0.4m compared with £0.4m in 2013.

Membership income was 3.3% up on that for the previous year. This was a result of receiving late 2013 subscription payments and a high level of recruitment in 2014. However commercial income fell by 22.4% a drop of £0.9m due to the closure of the CBI Conference Centre at Centre Point at the end of March 2014.

Payroll costs increased in 2014 reflecting improvements in the economy and the more competitive environment in recruiting and retaining staff.

Legal and professional costs rose by £0.3m due to costs associated with projects. Premises and Office costs combined decreased by £1.1m due to rates, service charge rebates and running cost savings related to Cannon Place.

Commercial activities expenditure fell by £0.5m in line with the fall in commercial income. Project costs increased by £0.6m as a result of a number of key projects undertaken in 2014, the move to Cannon Place and the continued implementation of the CRM system. Depreciation increased by £0.2m as a result of an IT refresh while all other costs in aggregate are in line with 2013 although the individual items are up and down due to normal business changes.

The CBI's defined benefit plan, on an accounting basis remained in surplus in 2014 due to the continued high level of funding. At the end of 2014 the CBI has net assets of £1.3m.

Cash and short-term deposits at the year-end were £6.3m compared to £8.3m in 2013. The drop of £2m is as a result of the investment in Cannon Place. Prepaid income was £6.9m at the year-end against £7.3m in 2013 the fall relates to a reduction in 2015 membership subscription received early and a reduction in the balances held for ringfenced projects. The CBI reviewed its cash investment strategy in 2014 and has now set up various short-term deposit accounts managed by Schroders. At the end of 2014 £3m of the £6.3m was placed on deposit compared to £0m at the end of 2013. At the end of 2014 the CBI had net current liabilities of £2.7m: this was due to a reduction in cash resulting from the office move and accounting for the rent-free period at Cannon Place. We have assessed the issue of the CBI on a going concern basis on page 29.

## Risk

The CBI ensures the continuation of membership subscription income by ensuring effective service delivery, and the actuarial deficit of the defined benefit pension scheme under regular review in order to maintain the CBI's financial viability against the risks of a reduction in subscription income caused by a changed economy, competition or pension scheme funding. The CBI is addressing concerns about public confidence in business which could reduce the support for the CBI, through its Public Confidence project, and is maintaining strong engagement with political parties in order to address brand and reputational risks, the impact of devolution and any loss of influence, that might impact its ability to achieve its mission, especially with a new government. Members of the CBI are regularly consulted so that the CBI can represent the breadth of their views, both nationally and internationally. Internally the CBI is improving staff development and succession planning to manage the risk of staff turnover, especially of key individuals, as well as building on the opportunities to improve the CBI's culture through the move to Cannon Place and new regional offices. Backing up of IT data and having a duplicate IT facility ensure that the risk of a loss of data, systems and other cyber threats are managed.

## Property

The CBI vacated the Centre Point building as planned on 31 March 2014 and relocated to our new office at Cannon Place. The ongoing running costs of Cannon Place are less than that of Centre Point.

During 2014, the CBI also relocated its West Midlands office more centrally from the outskirts of Birmingham. There were no other moves in the year. The CBI has also given notice on its offices in Scotland and Leeds with both moves expected to be completed at the end of quarter two in 2015. With these changes, our offices will better accommodate and service CBI staff and members. It is planned the office rental will be net neutral compared to the current premises.

## Pension Plan

The actuarial valuation of the Plan as at 31 December 2011 was completed during 2012. The assumptions in this actuarial valuation are not significantly different from those used in the FRS 17 valuation at the same date except that the effective discount rate in the actuarial valuation is lower resulting in an actuarial deficit of £17.8m as against an FRS 17 deficit of £8.2m at 31 December 2011. The previous actuarial valuation as at 31 December 2008 was a deficit of £16.4m. During 2014 the CBI cash contributions to its defined benefit pension plan were £1.8m.

The CBI hopes to continue to fund the plan in 2015 at the same level as 2014 – £132.5k a month – and will continue to fund the administrative and other costs of the plan (there will be no current service provision going forward due to the closure to further accrual in 2012). The CBI has worked proactively with the trustees of the scheme to review the scheme advisers and to ensure the scheme is more proactively managed.

The Plan's accounting surplus at the end of 2014 was £0.8m on a FRS17 basis. In 2015, a new actuarial valuation will be undertaken based on the scheme's position at 31 December 2014. The CBI will negotiate with the Trustees a lower payment plan post 1 January 2016.

## Outlook for 2015 and beyond

The outlook for the CBI in 2015 remains encouraging with a continued accounting surplus on its defined benefits pension scheme. Having relocated to Cannon Place on schedule in 2014 the CBI is now celebrating its 50th year in existence. In 2015, the CBI will continue to invest in its regional office premises and invest in its current CRM system. The CBI will look to better membership recruitment in 2015 to ensure it can continue to grow and remain at the forefront of lobbying government on behalf of business. The CBI will aim to achieve this along with the other activities mentioned on page 12.



**John Cridland**  
Director-general



**Nigel Hopkins**  
Resources director





## Statement of responsibilities in relation to the accounts

*Under the CBI's charter and bye-laws, the Council is required to cause proper books to be kept so as to show a true and fair view of the state of the CBI's affairs and to explain its transactions. The Council is also required to present audited accounts at each annual general meeting. The members of the CBI Board discharge these responsibilities on behalf of the Council and have elected to prepare these accounts in accordance with UK Generally Accepted Accounting Practice.*

In preparing these accounts the members of the CBI Board 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 accounts.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the CBI will continue to operate.

The director-general and the resources director have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the CBI and to detect fraud and other irregularities.

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

The members of the CBI Board who held office at the date of approval of these accounts confirm that, so far as they are aware, there is no relevant audit information of which the CBI's auditors are unaware. Each member of the CBI Board also confirms that he/she has taken such steps as he/she considers necessary to make himself/herself aware of any relevant audit information and to establish that the CBI's auditors are also aware of that information.

The members of the CBI Board consider that the Annual Report and accounts, taken as a whole, are fair, balanced and understandable.

*John Cridland*

**John Cridland**  
Director-general

*Nigel Hopkins*

**Nigel Hopkins**  
Resources director





# Independent auditor's report to the members of the CBI

*We have audited the financial statements of the CBI for the year ended 31 December 2014 which comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement, the Statement of Total Recognised Gains and Losses, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).*

## Respective responsibilities of members of the CBI Board and auditors

As explained more fully in the statement of responsibilities in relation to the accounts, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to CBI's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the members of the CBI Board, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of CBI's affairs as at 31 December 2014 and of its profit for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

## Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on our audit strategy, allocation of resources in the audit and directing the efforts of the audit team:

**Going concern:** The accounts may be prepared on a going concern basis when this is not appropriate if the CBI is not able to continue in business for at least 12 months from the date the financial statements are approved.

**FRS 17 defined benefit plan:** The assumptions used to calculate the value of assets and liabilities in the defined benefit pension plan may not be appropriate.

**Recognition of income and expenditure:** The timing of revenue recognition may be incorrect or revenue recognised may be incomplete, particularly in relation to members' prepaid subscriptions and amounts included within deferred income. Staff costs may be misstated, which, as a significant proportion of the CBI's expenditure, may result in the financial statements being materially misstated.

## Our application of materiality

The concept of materiality was applied in planning and performing our audit. The threshold at which we consider an amount as being material to the financial statements as a whole was set at £240,000. This is based on the amount of total income recognised in the Income and Expenditure Account for the year ended 31 December 2014. We report individual unadjusted differences on the financial statements over £12,000 to the Audit Committee. Materiality is used as guidance for the audit team in exercising judgement over their approach to audit testing and interpretation of the results. The level of materiality should not be interpreted as an absolute limit but as a guide to values that may be considered to have an impact on the view given by the financial statements.

## An overview of the scope of our audit

Our audit focused on the risks of material misstatement as identified above. Our audit work on revenue recognition focused on the different revenue streams received by CBI, including members' subscriptions, commercial activities and project income. We obtained evidence that the total staff costs were in accordance with expectations and that employees joining and leaving during the year had been correctly accounted for. We obtained evidence that the recognition and disclosures made in respect of the CBI's defined benefit pension plan were in accordance with financial reporting standards and that the assumptions used by the actuary in calculating the value of assets and liabilities in relation to the pension plan were reasonable.

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

We have nothing to report to you in respect of the following:

- The part of the Corporate Governance Statement relating to CBI's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

*Buzzacott LLP*

Buzzacott LLP  
130 Wood Street  
London EC2V 6DL  
1 June 2015





## The UK Corporate Governance Code

*According to the Financial Reporting Council (FRC), corporate governance is about what the board of a company does and how it sets the values of the company and hence, is to be distinguished from the day to day operational management of the company by full time executives.*

The revised UK Corporate Governance Code (now referred to as the Code in the currently applicable version) applies to accounting periods beginning on or after 1 October 2012. The Code consists of principles and provisions with the flexibility of a 'comply or explain' discretionary approach. It has been enduring and is widely accepted as a guide based on the underlying principles of accountability, transparency, probity and focus on the sustainable success of an entity over the longer term.

Two principal conclusions drawn by the FRC in its review leading to the Code were that more attention had to be paid to following the spirit of the Code as well as its letter and secondly, that the impact of stakeholders in monitoring the Code should be enhanced by better interaction between the Board and its stakeholders.

The Code sets out standards of good practice under the main criteria of Board leadership and effectiveness, remuneration, accountability and relations with stakeholders.





## CBI Board

*The CBI Board is chaired by the president and is constituted as a standing committee, with delegated authority of both the Council and the Finance & General Purposes Committee. It is responsible for all matters other than those specified for the Chairmen’s Committee and those retained by the Council and the Finance & General Purposes Committee.*

In summary its responsibilities are to:

- Be the ultimate internal decision taking body on all operational and financial aspects of the CBI
- Receive reports on a regular basis from CBI management on but not limited to membership, regions, commercial, personnel and financial matters
- Decide on issues of governance.

The responsibilities set out above will be considered at each CBI Board meeting as appropriate, as will any items arising under the ‘reserved list’. The CBI Board has determined a calendar of activities, and this includes a meeting in the spring to approve the annual report and accounts and a meeting in the autumn to approve the following year’s budget.

The CBI Board considers all its non-executive directors to be independent in character and judgement. The president is charged with ensuring board effectiveness and has extensive board experience to enable this. There is no formal evaluation process of the Board, however this is currently being reviewed in 2015.

One third (rounded up if not a whole number) of the CBI directors retire by rotation at each annual general meeting. This requirement is applied separately to the executive and non-executive directors. There is no maximum number of terms of office but in practice the intention is to permit non-executive directors up to two terms of three years each.

The president, the director-general and the resources director oversee the reporting to the CBI Board. This includes reports at each meeting on performance against plan and budget and on key issues.

The membership, meetings and proceedings at the CBI Board comply with the provisions of the Code except as follows:

- The maximum normal term of office of the president is two years and because of this and the opportunity to raise issues as explained above, the objective of the independent discussion of the non-executives of the CBI Board without the president is effectively met
- The CBI Board does not have a nominations committee, but this is not considered necessary as appointments to the CBI Board are made by the president after consultation with the director-general. Both are charged with seeking diversity of the CBI Board in all aspects when making these appointments. Moreover all such appointments require the explicit agreement of a majority of the non-executive members of the CBI Board and have to be reported to the Council at the time of the annual general meeting
- The CBI does not have a remuneration committee nor does it issue a remuneration report, but these are not considered necessary due to the size and nature of the organisation. There is a formal procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors. The president and non-executive directors are unpaid. The CBI Board sets the remuneration of the director-general and no executive director is involved in deciding his or her own remuneration
- No extensive induction process to the CBI exists for non-executive directors. There was one new director appointed during the year and our approach to the induction process is currently being reviewed.

The Code sets out criteria for independence. Non-executive members of the CBI Board are required to advise the CBI if they do not meet these criteria. They may take independent professional advice on an issue if thought necessary.

The members of the CBI Board during 2014 were:

	Appointed	Retired	Attendance
<b>Chair</b>			
Sir Mike Rake			4/4 Chairman – BT plc
<b>CBI Members</b>			
Dr Neil Bentley		24/3	1/1
John Cridland			4/4
Katja Hall			4/4
Nigel Hopkins			3/4
<b>Non-executive</b>			
Paul Drechsler			3/4 Chairman – Teach First
Sharon Thorne			4/4 Managing partner, regional markets – Deloitte
Andy Green			4/4 Non-executive director – ARM Holdings plc
Linda Urquhart			3/4 Chairman – Morton Fraser
Heidi Mottram	16/12		0/1 Chief executive – Northumbrian Water

The CBI Board met four times during 2014.

The CBI provides insurance for directors’ and officers’ liability covering all directors, pension trustee directors and staff.





# Audit Committee

*The Audit Committee is required to meet at least three times a year and the chairman of the committee, the external auditors and resources director may request a meeting if they consider it necessary. Appointments to the Audit Committee have to be approved by the CBI Board.*

The terms of reference of the Audit Committee are to:

- Review the annual accounts of the CBI with CBI management and the external auditors (including consideration of accounting policies and key financial judgements, estimates and forecasts). Based on this review the Audit Committee will recommend to the CBI Board whether or not the annual accounts should be adopted
- Review the auditors' letter to management on issues and recommendations arising from the audit and consider management's response to the points raised by the auditors
- Meet with the external auditors without CBI management at least once a year and report any issues from that meeting to the CBI Board or president as appropriate. The Audit Committee will also monitor any action agreed to be taken as a result of such issues
- Review the effectiveness and strength of the CBI's finance function and the robustness of the succession plans in respect of the resources director
- Review CBI management's approach to, and the results of, risk assessment and its control environment including financial controls (including the assessment and communication of principal risks and uncertainties). Consider emerging risks and their potential impact on the business of the CBI. Report to the CBI Board thereon
- Review and report to the CBI Board on the appointment of the external auditors annually including an assessment of their fee, independence (including the provision of non-audit services and the length of tenure) and effectiveness and consideration of the need to tender the appointment of external auditors. The last tender was held in 2013 where Buzzacott LLP were appointed
- Monitor the process for the reporting by CBI staff to the Audit Committee Chairman of any financial or other impropriety (whistleblowing) and associated investigation and corrective action

- Review and amend (if required) the whistleblowing process
- Review the CBI's policies and approach to ensuring compliance with the UK Bribery Act
- Consider at least annually whether an internal audit function is needed and report on this to the CBI Board
- Report to the CBI Board on how it has discharged its responsibilities.

The Audit Committee is responsible for recommending a firm of auditors of appropriate independence and experience and for the approval of all audit fees and terms of engagement. The Audit Committee's policy is to undertake a formal assessment of the auditors' objectivity and independence each year which includes:

- Review of non-audit services provided to the CBI and related fees
- Review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit
- Obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

The Audit Committee monitors regularly the non-audit services being provided to the CBI by its external auditors. The Audit Committee follows the guidelines set out in the Auditing Practices Board Ethical Standards issued in December 2011 in monitoring the non-audit services being provided to the CBI by its external auditors.

Procedures have been agreed by the Audit Committee to permit staff to raise concerns on propriety outside the CBI staff structure ('whistleblowing'). These have been announced to staff and are accessible in the CBI's internal IT system.

The Audit Committee considered the following significant issues in relation to the financial statements:

- Going concern – the Audit Committee reviewed business forecasts and related risks to determine the GC status
- Defined Benefit Plan – the Audit Committee reviewed the actuarial assumptions under FRS 17 as at 31 December 2014 and the long-term deficit recovery plan
- Recognition of income and expenditure – the Audit Committee reviewed the adequacy of the CBI's accounting policies and ensures internal processes are in place to monitor compliance with these policies.

During the year the Audit Committee reviewed the updated CBI risk register and risk management policy. They continue to believe these to be appropriate for the organisation.

The members of the Audit Committee during 2014 were:

	Attendance
<b>Chair</b>	
Sharon Thorne FCA	3/3
<b>Members</b>	
Linda Urquhart	3/3

Heidi Mottram joined the committee on 16 December 2014.

A satisfactory review of the Audit Committee's performance and duties was carried out in 2014.

## Going concern

The accounts have been drawn up on a going concern basis. Management has developed medium-term financial projections and future cashflows on the basis of the current business model and after consideration of the risks and uncertainties noted on page 18. The key assumptions relate to the retention and recruitment of members, the funding requirements for the pension deficit that have yet to be finalised with the pension fund trustees and the ability of the CBI to continue to manage costs tightly. Management has applied sensitivities to these variables for the period to the end of May 2016, and concluded that it is reasonable to expect that the CBI will have sufficient resources to operate for the foreseeable future.





# Internal controls and financial reporting

*The CBI Board is ultimately responsible for the CBI's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.*

The Audit Committee has reviewed the ongoing process for identifying, evaluating and managing the risks faced by the CBI, and this process will be regularly reviewed by the CBI Board on the basis of the Audit Committee's own review. The CBI continues to review and improve the effectiveness of its system of financial and non-financial controls, including operational and compliance controls, risk management and the high-level internal control arrangements.

The CBI's key internal control procedures include the following:

- Authority to operate the regions, overseas offices and projects within the CBI is delegated to their respective managers within limits set by the director-general and the resources director under the overall supervision of the CBI Board. The appointment of managers to most senior positions within the CBI requires the approval of the director-general
- Systems and procedures are embedded in the CBI at both corporate and directorate level to identify, control and report on the major risks including credit, liquidity, operational error and fraud. Exposure to these risks is monitored by management and by the CBI Board as a whole and the CBI Board is responsible for determining the appropriate strategy to manage those risks
- Annual financial plans are prepared and are reviewed and approved by the CBI Board. Results are monitored regularly. Reports on progress compared with the plans and budgets are prepared each month. All expenditure, including capital expenditure, is regulated by a budgetary process and an authorisation system

- The CBI Board monitors compliance with policies and standards and the effectiveness of internal control structures across the CBI. This is augmented by the director-general's reports to the CBI Board on significant changes in the business or external environment that affect significant risks
- The Audit Committee considers the controls which are in force and any perceived gaps in the control environment. The Audit Committee also considers and determines relevant action in respect of any control issues raised by the external auditors.

The CBI Board keeps the effectiveness of this system of control under review. The key processes used by the CBI Board in carrying out its reviews of the effectiveness of internal controls include:

- Financial reports, which identify variances from plan and prior period performance, identify performance issues, and discuss the risks that arise and the steps being taken to mitigate those risks
- Discussions with senior personnel on risk and control issues
- Consideration by the Audit Committee of reports from the external auditors.

## Internal audit

The CBI does not have an internal audit function. This is presently considered appropriate given the size and organisational structure of the CBI and the close involvement of the executive directors and senior management in the day-to-day operations.

# Income and expenditure account - for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
<b>Income</b>			
Members' subscriptions	1(b)	20,332	19,673
Rents and licence fees		122	178
Commercial activities		3,069	3,956
Project income		65	144
Interest on short-term deposits		17	29
Exceptional item – incentive	5	1,200	-
Other income		767	572
<b>Total</b>		<b>25,572</b>	<b>24,552</b>
<b>Expenditure</b>			
Payroll	3	11,985	11,638
Pension costs	13	881	759
Exceptional item – fixed asset write-off	5	899	-
Travel and subsistence		593	529
Other staff costs		979	881
Office expenses		1,198	1,377
Premises costs		2,176	3,143
Subscriptions to other organisations		936	918
Commercial activities		1,855	2,351
Legal and professional costs		1,183	864
Promotional activities and surveys		306	188
Functions and entertaining		287	259
Project costs		848	277
Depreciation	1(c)	652	438
Finance charges	4	65	246
Miscellaneous expenses		24	15
<b>Total</b>		<b>24,867</b>	<b>23,883</b>
<b>Profit before tax</b>	2	<b>705</b>	<b>669</b>
Taxation charge	6	266	226
<b>Retained surplus for the year</b>		<b>439</b>	<b>443</b>

All amounts other than the exceptional item relate to continuing activities





## Balance sheet – at 31 December 2014

	Notes	£000	2014 £000	2013 £000
<b>Fixed assets</b>	7		<b>3,910</b>	1,884
<b>Current assets</b>	7		<b>3,910</b>	1,884
Debtors and prepayments	8	<b>1,158</b>		1,788
Short-term deposits		<b>3,000</b>		-
Cash at bank		<b>3,335</b>		8,302
		<b>7,493</b>		10,090
<b>Less current liabilities</b>				
Amounts falling due within one year				
Creditors, accruals and deferred income	9	<b>(10,172)</b>		(9,622)
<b>Net current (liabilities)/assets</b>			<b>(2,679)</b>	468
<b>Total assets less current liabilities</b>			<b>1,231</b>	2,352
<b>Provisions for liabilities and charges</b>	10		<b>90</b>	(33)
<b>Net assets excluding pension liability</b>			<b>1,321</b>	2,319
<b>Pension liability net of deferred tax</b>	13		<b>-</b>	-
<b>Net assets including pension liability</b>			<b>1,321</b>	2,319
<b>Represented by:</b>				
Accumulated surplus	11		<b>1,321</b>	2,319

These accounts were approved and authorised for issue at the CBI Board meeting on 16 March 2015 and were signed by:



**John Cridland**  
Director-general



**Nigel Hopkins**  
Resources director

## Cashflow statement – for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
<b>Net cash inflow from operating activities</b>	14	<b>271</b>	1,854
<b>Financing costs</b>			
Interest received		<b>11</b>	43
Interest and other charges paid		<b>(65)</b>	(57)
<b>Taxation received/(paid)</b>		<b>202</b>	(295)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		<b>(3,586)</b>	(830)
Incentive received for office move		<b>1,200</b>	-
<b>Short-term deposits</b>	15	<b>(3,000)</b>	5,000
<b>Total cash (outflows)/inflow</b>	15	<b>(4,967)</b>	5,715

## Statement of total recognised gains and losses – for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Retained surplus for the year		439	443
Actuarial (losses)/gains recognised in the pension scheme	13	(1,830)	2,613
Current tax benefit arising on actuarial losses	6	393	382
Deferred tax cost arising on actuarial gains		-	(978)
<b>Total recognised (losses)/gains for the year</b>	11	<b>(998)</b>	2,460



Notes to the accounts

1. Accounting policies

(a) Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost accounting rules.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the CBI's accounts.

(b) Members' subscriptions

Income from members' subscriptions is recognised as and when earned and is spread over the relevant subscription period. Subscription income received relating to future years is deferred to the relevant year.

(c) Depreciation

Depreciation is provided on assets on the basis of their cost and from the date they are brought into use on a straight line basis over their estimated useful lives, generally as follows:

Office furniture and equipment

– 10%-33% per annum

Computer hardware and software

– 25% per annum

Motor vehicles

– 25% per annum

Plant and machinery

– 5%-10% per annum

Leasehold improvements

– over the term of the lease or the estimated life of the asset if shorter

(d) Leases

Regular annual rental charges and income under operating leases are charged or credited to the income and expenditure account when the amounts are incurred.

Assets acquired under finance leases are capitalised in fixed assets at the net present value of the minimum lease payments and depreciated in accordance with accounting policy (c) above. The finance charge is apportioned to accounting periods using the actuarial method.

(e) Taxation

The charge for taxation is based on the profit before tax and takes into account deferred tax.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required under FRS 19.

(f) Going concern

The accounts have been prepared on a going concern basis. There are net assets of £1.3m, but net current liabilities of £2.7m. This has been caused by a reduction in cash due to the investment in the new office in Cannon Place, and the recognition of lease incentives for that new building. Ongoing projections show that there is adequate liquidity for the foreseeable future.

(g) Pensions

The CBI currently provides a group pension plan and other personal pension plans to staff and makes regular payments into the schemes. All the schemes are defined contribution plans. The amounts paid by the CBI are charged to pension costs in the year.

The CBI previously operated a pension plan providing benefits based on final pensionable pay. This scheme was closed to all staff on 31 March 2012. The assets of the plan are managed by third-party investment managers and are held separately in trust. Independent professionally qualified actuaries undertake regular valuations of the plan. These inform the level of contributions paid by the CBI to fund the benefits set out in the rules of the plan.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using an attained age method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme deficit or surplus (to the extent it is recoverable) is recognised in full. The movement in the scheme deficit/surplus is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

2. Operating result

	2014 £000	2013 £000
Operating result before taxation is stated after charging:		
Auditor's remuneration:		
Audit	32	32
Other services – tax and related advice	6	15
Rentals payable under operating leases:		
Land and buildings	1,488	1,321
Motor vehicles and equipment	161	176
Depreciation	652	438
and after crediting:		
Rentals receivable under operating leases:		
Land and buildings	122	178

The CBI contributed £2k (2013: £4k) to charities in lieu of sending corporate Christmas cards. The CBI makes no political contributions.

3. Staff numbers and costs

	2014 No.	2013 No.
The average number of staff employed by the CBI during the year was:		
	209	212
	£000	£000
Their aggregate payroll costs were:		
Salaries	10,705	10,408
Social security costs	1,280	1,230
	11,985	11,638
Pension costs (note 13)	881	759
	12,866	12,397

During the year 15 (2013: 13) of the staff included in the above were called directors. Their total emoluments, including the estimated money value of non cash benefits, were £1,804k (2013: £1,578k). All but 1 (2013: 2) of the directors are members of one of the CBI's pension plans. The CBI cost of the plans for these directors was £170k (2013: £130k).

	2014 £000	2013 £000
The emoluments of the executive members of the CBI Board were:		
John Cridland – director-general	312	312
Dr Neil Bentley – deputy director-general	56	169
Cedric Kennedy – finance director	-	82
Nigel Hopkins – resources director	125	30
Katja Hall – chief policy director	170	150
	663	743

Payments of £62k (2013: £62k) were made for money purchase pension schemes for the director-general's benefit. CBI members serving on committees or in other roles are not remunerated.



#### 4. Finance charges

	2014 £000	2013 £000
Pension scheme (note 13)	-	189
Bank charges, bad debts and foreign exchange differences	65	57
	<b>65</b>	<b>246</b>

## 5. Exceptional item

In 2014 The CBI moved head office from Centre Point to Cannon Place. The amount of (£301k) represents the contribution received from the CBI's old landlord for early vacation of (£1.2m) less the net book value of the assets related to the Centre Point building of £899k which were written off when the CBI left Centre Point.

## 6. Taxation

(i) Analysis of taxation for the year:

Income and expenditure account	2014 £000	2013 £000
<b>Current tax</b>		
UK corporation tax on operating result	304	185
Adjustment in respect of earlier years	(4)	(3)
	<b>300</b>	<b>182</b>
<b>Deferred tax</b>		
Accelerated capital allowances	(34)	44
<b>Taxation charge on operating result</b>	<b>266</b>	<b>226</b>

(ii) Factors affecting the current tax charge for the year:

The tax assessed for the year differs from that at the standard rate of corporation tax of 21.5% (2013: 23.25%).

The differences are explained below:

Income and expenditure account		
Profit before tax	705	669
Tax at standard rate of corporation tax	152	156
Expenses not deductible for tax purposes	229	54
Capital allowances for year less than depreciation	(77)	(25)
Adjustment in respect of earlier years	(4)	(3)
<b>Current tax charge on operating result for the year (note 6(ii))</b>	<b>300</b>	<b>182</b>

<b>Statement of total recognised gains and losses</b>		
Tax at standard rate of 21.5% (2013: 23.25%) on actuarial (losses)/gains recognised in the statement of total recognised gains and losses	<b>(393)</b>	607
<b>Comprised</b>		
Movement in deferred tax asset due to pension scheme deficit	-	978
Effect of future CT rate reduction to 20% (2013: 21%)	-	11
Unutilised tax loss carried forward	<b>89</b>	
<b>Current taxation credit for the year</b>	<b>(393)</b>	(382)
	<b>304</b>	607

Tax relief is available on pension plan contributions in excess of the expenditure deductible from the income and expenditure account amounting to an additional tax deduction of £1,830k (2013: £1,641k). This additional tax relief arises from funding a deficit in the plan and is accounted for in the statement of total recognised gains and losses. The net corporation tax liability for the year is nil (2013: £(197)k).

## 7. Fixed assets

	Plant & machinery	Office furniture & equipment	Computer hardware & software	Leasehold improvements	Total £000
<b>Cost:</b>					
At 1 January 2014	1,891	1,053	3,591	2,669	9,204
Additions	-	574	840	2,172	3,586
Disposals	(1,822)	(987)	(1,966)	(2,549)	(7,324)
At 31 December 2014	69	640	2,465	2,292	5,466
<b>Depreciation:</b>					
At 1 January 2014	1,460	903	2,748	2,209	7,320
Charge for year	40	69	391	152	652
Disposals	(1,458)	(863)	(1,962)	(2,133)	(6,416)
At 31 December 2014	42	109	1,177	228	1,556
<b>Net book value:</b>					
At 31 December 2014	27	531	1,288	2,064	3,910
At 31 December 2013	431	150	843	460	1,884

## 8. Debtors and prepayments

	2014 £000	2013 £000
Trade debtors	482	615
Tax debtor	-	197
Other debtors	101	125
Prepayments and accrued income	575	851
	1,158	1,788

9. Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	802	297
Other taxes and social security	700	1,125
Other creditors and accruals	1,794	844
Deferred income	6,876	7,356
	10,172	9,622

Other taxes and social security includes employer contributions of £134k (2013: £55k) to the defined contributions plans.



## 10. Provisions for liabilities and charges

	2014 £000	2013 £000
<b>Deferred tax principally on accelerated capital allowances</b>		
At 1 January	<b>33</b>	(11)
Credit/(debit) for the year	<b>(34)</b>	44
Trade losses c/f	<b>(89)</b>	-
At 31 December	<b>(90)</b>	33

Deferred tax is calculated at 20% (2013:21%) being the taxation rate expected to be applicable when the timing differences reverse.

## 11. Accumulated surplus/(deficit)

	2014 £000	2013 £000
Opening surplus/(deficit)	<b>2,319</b>	(141)
Total recognised (losses)/gains for the year	<b>(998)</b>	2,460
Closing surplus	<b>1,321</b>	2,319

## 12. Commitments

At 31 December the CBI had annual commitments under non-cancellable leases as follows:

	2014		2013	
	Land and buildings £000	Vehicles and Equipment £000	Land and buildings £000	Vehicles and Equipment £000
<b>Operating leases which expire:</b>				
Additions	<b>63</b>	-	262	4
Within one year	<b>234</b>	<b>79</b>	111	163
Over five years	<b>1,159</b>	-	1,240	-
	<b>1,456</b>	<b>79</b>	1,613	167

There were capital commitments of £120k at 31 December 2014 (2013: £3,009k related to the office move).

## 13. Pension schemes

The CBI operates a defined benefits pension plan in the UK – the Confederation of British Industry Retirement Benefits Plan ('the Plan'). The Plan was closed to new entrants on 1 May 2009. Staff who are not members of the Plan are offered membership of a group pension plan, to which the CBI contributes, or a contribution to approved personal pension plans, all of which are defined contribution arrangements. The Plan was closed to further benefit accrual from 31 March 2012.

An actuarial valuation of the Plan was carried out at 31 December 2011 by a qualified independent actuary using the attained age method. The plan deficit in 2011 was £17.8m. A new valuation of the Plan is being prepared in 2015.

The amounts charged in the income and expenditure account for pensions were as follows:

	2014 £000	2013 £000
<b>Pension costs</b>		
The Plan – current service	-	-
Pension Protection Fund	<b>41</b>	74
Group and personal plans	<b>840</b>	685
	<b>881</b>	759
<b>Finance charges</b>	-	189
<b>The Plan (note 4)</b>	<b>881</b>	<b>948</b>

The life expectancies are based on the S1NA light tables, with adjustments to reflect the Plan's membership. Future improvements are based on the CMI projections model with a long-term improvement of 1.5%

	Male		Female	
Life expectancy at 31 December	2014	2013	2014	2013
From 65 and now 65	<b>23.4</b>	23.7	<b>25.0</b>	25.3
From 65 and now 45	<b>25.4</b>	25.8	<b>27.3</b>	27.6

Following the triennial actuarial valuation as at 31 December 2011 the CBI and the trustee agreed deficit funding of £132.5k a month. This funding rate commenced 1 January 2013 to eliminate the Plan deficit by 31 December 2023, the date at which the Recovery Plan ends.

The CBI paid contributions to the Plan of £1,830k in the year (2013: £1,830k) and the expected contribution to the Plan in 2015 will remain at the same level.

### FRS 17 Valuation

The liabilities have been calculated as at 31 December 2014 by a qualified actuary on an FRS17 basis as described below. The liabilities as at 31 December 2014 were adjusted by the actuary from the actuarial valuation as at 31 December 2011.

### Plan liabilities

The weighted average assumptions used to determine Plan liabilities were:

	At 31 December 2014	2013
<b>Future salary increases</b>	<b>n/a</b>	n/a
Future inflation assumption	-RPI	3.5%
	-CPI	2.5%
<b>Future increase in pensions in payment (LPI max 5%, min 3% p.a.)</b>	<b>3.7%</b>	3.7%
<b>Discount rate</b>	<b>3.7%</b>	4.6%

The change in Plan liabilities during the year were:

	2014 £000	2013 £000
Plan liabilities at start of year	<b>74,363</b>	75,789
Interest cost	<b>3,357</b>	3,173
Actuarial losses/(gain)	<b>7,615</b>	(595)
Benefits paid	<b>(2,785)</b>	(4,005)
Plan liabilities at end of year	<b>82,549</b>	74,362



Plan assets

The change in Plan assets during the year were:

	2014 £000	2013 £000
Plan assets at start of year	76,303	71,534
Expected long-term rate of return on Plan assets	3,488	2,984
Actuarial gain	4,545	3,960
Employer contributions	1,830	1,830
Benefits paid	(2,785)	(4,005)
Plan assets at end of year	83,381	76,303
Actual return on Plan assets in the year	8,033	6,944

The weighted average asset allocation at the year end was as follows:

	2014	2013
Equities	28%	37%
Bonds	46%	59%
Absolute return funds	22%	n/a
Property	3%	3%
Other	1%	1%

The Plan at the year end was:

	2014 £000	2013 £000
Plan assets	83,381	76,303
Plan liabilities	(82,549)	(74,362)
Plan surplus	832	1,941
Effect of asset limit	(832)	(1,941)
Related deferred tax asset	-	-
Net pension liability	-	-

Deferred tax is calculated at 20% (2013: 21%) being the taxation rate expected to be applicable when the Plan deficit reverses. For the possible impact of proposed taxation rate reductions in later years see note 10.

In 2014 the actuarial loss on the pension fund of £3,070k was restricted to £1,830k and the P&L was restricted to £nil. This is because under FRS17 the CBI is not able to recognise a pension surplus in the balance sheet and is therefore restricted to a net nil position. In future years, such restrictions may not apply due to changes in UK GAAP coming into force for accounting periods beginning 1 January 2015.

Pension cost

The pension cost is based on the financial position and assumptions at the start of the year. The weighted average assumptions used to determine the net pension cost for the year were:

	2014	2013
Discount rate	3.7%	4.3%
Expected long-term return on Plan assets	4.6%	4.2%
Rate of increase in salaries	n/a	n/a

Under FRS17 the expected return on assets for the accounting period starting immediately after 31 December 2013 is the long-term expected rate of return on the actual assets held by the Plan. UK GAAP accounting standards are being revised for accounting periods beginning on or after 1 January 2015 such that there is no requirement for companies to adopt an expected return on assets assumption.

The pension cost components for the year were:

	2014 £000	2013 £000
Interest cost	3,357	3,173
Expected return on Plan assets	(3,488)	(2,984)
Effect of asset limit	131	-
Total pension cost recognised in the Income and Expenditure account	-	189
Actuarial (losses)/gains	(3,070)	4,554
Effect of asset limit	1,240	(1,941)
Total pension (benefit)/cost recognised in the Statement of Total Recognised Gains and Losses	(1,830)	2,613
Cumulative net total of actuarial losses recognised	(17,415)	(15,585)

The impact on the assets/(liabilities) of the Plan and the deficit (before consideration of deferred tax and the effect of the asset limit) shown in the balance sheet of changes in the major assumptions is shown below:

	Increase/(decrease) by £000
Increase discount rate by 0.25%	3,462
Increase rate of inflation by 0.25%	(2,372)



Five-year history

	2014	2013	2012	2011	2010
Plan liabilities at end of year (£000)	82,549	74,362	75,789	73,134	69,237
Fair value of Plan assets at end of year (£000)	83,381	76,303	71,534	64,919	63,244
Plan surplus/(deficit) at end of year (£000)	832	1,941	(4,255)	(8,215)	(5,993)

Difference between expected and actual return on Plan assets:

amount (£000)	4,545	3,960	4,811	(1,230)	2,502
percentage of scheme assets	5%	5%	7%	-2%	4%

Experience gains and losses on scheme liabilities:

amount (£000)	-	-	(684)	-2,165	10
percentage of scheme liabilities	0%	0%	-1%	-3%	0%

14. Reconciliation of profit before tax to net cashflow from operating activities

	2014 £000	2013 £000
Profit before tax	705	669
Depreciation	652	438
Loss on disposal of fixed assets	907	8
Incentive received for office move	(1,200)	-
Finance charges	65	246
Decrease in debtors	439	78
Increase in creditors	1,030	1,145
(Decrease)/increase in deferred income	(480)	1,129
Contributions to pension plan	(1,830)	(1,830)
Interest receivable	(17)	(29)
Net cash inflow from operating activities	271	1,854

15. Analysis of changes in net funds and reconciliation to net cashflow

	At 31 December 2014 £000	Increase/ (decrease) £000	At 1 January 2014 £000
Cash at bank	3,335	(4,967)	8,302
Short-term deposits	3,000	3,000	-
	6,335	(1,967)	8,302

Liquid resources comprise short-term deposits. Net funds comprise liquid resources and cash at bank. Net funds at 31 December 2014 included £341k (2013: £544k) designated to specific creditors.



For further information on this report,  
or for a copy in large text format contact:

Chris Kelly  
Governance adviser  
T: +44 (0)20 7395 8248  
E: [chris.kelly@cbi.org.uk](mailto:chris.kelly@cbi.org.uk)



June 2015

© Copyright CBI 2015

The content may not be copied,  
distributed, reported or dealt  
with in whole or in part without  
prior consent of the CBI.



Printed by Duncanprint on  
Amadeus 100 pure white silk, containing  
100% recovered fibre certified by the  
FSC®. Duncanprint is certified to ISO 14001  
and registered to EMAS environmental  
management systems NEZ052.

Product code: 10885

[www.cbi.org.uk](http://www.cbi.org.uk)