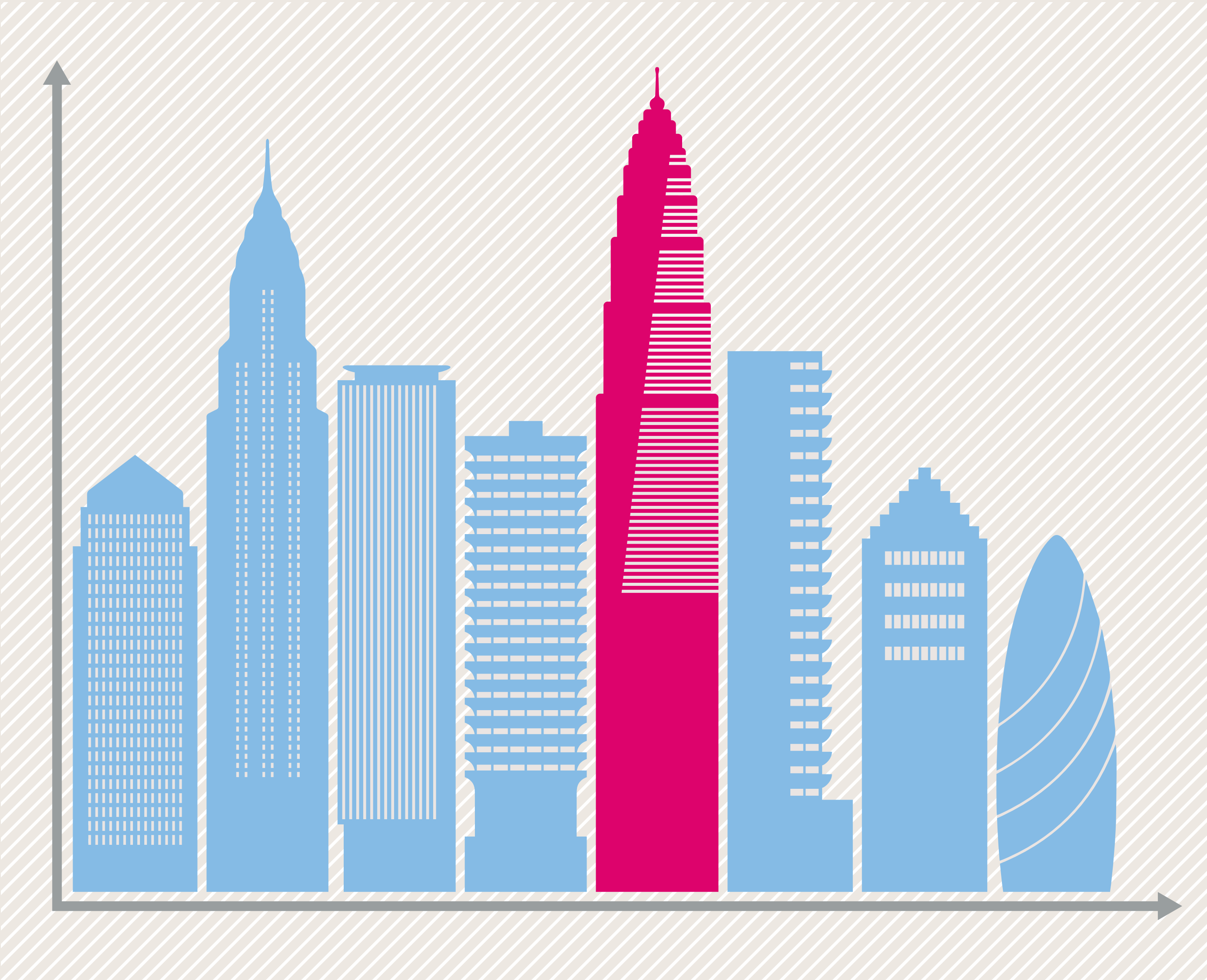
Chartered Institute of Management Accountants

CIMA



# REDEFINING HOW BUSINESS IS DONE

THE CHARTERED INSTITUTE OF MANAGEMENT ACCOUNTANTS
2013 FINANCIAL STATEMENTS

# *Redefining how business is done*

In these financial statements, we report CIMA's financial performance during 2013. To understand these financial statements in the context of our objectives and operational performance, they should be read as a continuation of the 2013 Annual Report.

This is CIMA's second year of producing an integrated annual report. We believe it gives us the right platform to explain who we are, what we do and how we operate. As an organisation whose mission is helping people and businesses to succeed, it is important that we measure our value in many ways.

Integrated Reporting is helping us to become a better organisation. This particularly relates to our Council's deeper understanding of our business model, which is driving more relevant and valuable discussions. Better understanding our business model improves our ability to identify and respond to external opportunities, key relationships, supply chain issues and other factors upon which our long-term success depends. It is making it easier to define our key priorities, value drivers and desired outcomes.

Thanks to our better understanding of Integrated Reporting we have undertaken a great deal of work to refine and better articulate our strategy and business model. During 2013 we have aligned our financial statements to the business model by changing the presentation of the Consolidated statement of comprehensive income and the supporting commentary.

*'The business model is both the foundation and structure of the business, inextricably interlinked with the strategy.'*

## MISSION AND GOAL

*Helping people and businesses to succeed*
by being the most relevant in the management accounting space

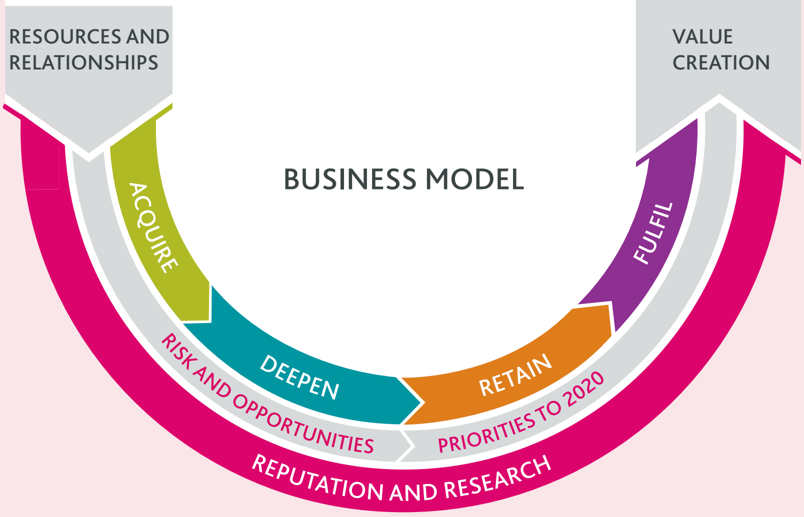
## STRATEGIC OBJECTIVES

To ensure management accounting is seen as a critical driver of sustainable success

For Global Management Accounting Principles to be prevalent in successful private and public sector organisations

To foster a growing professional CGMA community committed to lifelong learning, underpinned by market-based research

To develop a best in class research-based business model, infrastructure, and people and resources for CIMA and the joint venture



## ACHIEVEMENTS IN 2013

**MEMBERS**

*New members in 2013*

**5,527**

**STUDENTS**

*New students in 2013*

**33,581**

**EMPLOYERS**

*Employer satisfaction rate in 2013*

**90%**

**REPUTATION**

*Global media coverage value in 2013*

**£38m**

**FINANCIAL**

*Liquid reserves at the end of 2013*

**£11.7m**

## CONTENTS



FIND OUT MORE ABOUT CIMA
www.cimaglobal.com

## SUMMARY

- CIMA generated a surplus of £2.5m in 2013 excluding charitable trusts (£1.1m in 2012):
  - Surplus from normal operations £0.4m
  - Gains on currency £1.5m
  - Gains on sale of investment £0.2m
  - Pension movements
    - Employers' pension recovery plan £0.9m
    - Service costs £(0.5)m
- The volatility of currency movements, the scale of the pension deficit and non-operational investment gains make it prudent to allow these gains to flow through to reserves
- The build up of our reserves in recent years has enabled us to invest in game-changing activities such as the CIMA 2015 Syllabus, the new assessment platform and our Global Management Accounting Principles©. These will increase CIMA's reputation and profile, generate demand for management accounting and CIMA, and improve progression through the professional qualification
- As described in the Annual Report we have undertaken extensive work to better understand our business model during the year. From this, we have also restructured our Statement of comprehensive income to be in line with the value chain, to bring more transparency to the link between financial results and operational performance.

## INCOME

- Total income increased 8% to £55m, comprising 89% (£49m) in subscriptions and exam revenue (down from 90% in 2012) and 11% (£6m) in financial and other income
- A 9% growth in member income in 2013 was due to 5,527 new members joining and a 3% fee increase. Although member satisfaction fell by a percentage point to 78%, this did not impact on the growth of the member population
- A 7% growth in student income in 2013 was due to an increase in student population to over 122,000, driven by 33,581 new students and an improvement in retention
- Our exam and exemption income increased by 8% to £17m. Growth in exemption income was particularly significant, accounting for over half this increase. The number of exemptions granted increased by 28% in 2013, and is now on a par with number of papers passed by exam. This growth in exemptions is a result of more gateway entry routes to CIMA and stronger university relationships
- Financial and other income increased by 7%, primarily due to the impact of currency gains and pension adjustments.

## EXPENDITURE

Operating expenditure increased by £2.6m (5%) in 2013 to £52.4m. In 2013, we allocated all expenditure against the value chain to more clearly represent where the resources are used to deliver CIMA's strategic objectives.

### ACQUIRE

CIMA attracted a record number of new students in 2013, a total of 33,581 in total, representing a 15% increase on the previous year. Our investment in Acquire activities grew by 6% in 2013, which is 18% of total expenditure.

We directed the majority of that increase at higher education channels, particularly business development activity to increase the number of collaborations with universities. We also increased activity with employers to generate demand for management accounting and CIMA members and students. In 2013, over 2,300 students were recruited from 50 global key employer accounts. Over £6m of our investment in acquisition is focused on market-facing activity in the regions, an increase of over £0.6m on 2012. This represents the ongoing shift towards serving our stakeholders from local offices.

Regions that had particularly strong results for 2013 include Emerging Markets (India, Commonwealth of Independent States and Eastern Europe), which increased recruitment by 37%, acquiring 4,791 new students, and Africa, which increased recruitment by 25%, bringing in 5,341 new students. Europe and South East Asia also performed strongly, recruiting more students compared to 2012, and beating recruitment targets.

### DEEPEN

By deepening our relationship with students and encouraging progression to membership, we increase the member population and its influence on the management accounting profession. Investment in Deepen activities grew by 11% in 2013, and increased its proportion of total expenditure from 22% to 23%.

The number of newly admitted members declined in 2013, reflecting the challenges of ensuring students progress to the point of membership. Much of our investment over the next few years aims to improve support for students and the progression process, reducing the time taken for students to become members. We have delivered a strong retention result with only 15% of the student population lapsing, down from the peak in 2012 of 16%. That follows successful campaigns to persuade lapsed students of the benefits of being a CIMA member.

The majority of the expenditure increase funded the exam delivery process, because of a growing student population in ever more geographically diverse locations. While the overall cost of exam delivery grew, cost per student fell, showing that we are managing the exam delivery process more efficiently. We will manage the current process for the last time in 2014 before moving to a fully computerised assessment method in 2015.

Investment in all student support activities increased in 2013, reflecting our commitment to ensuring students have the right skills and resources to be successful in the CIMA qualification and in their careers. This is through free online resources, regional networks, paid resources such as CIMAStudy.com and building strong relationships with tuition partners.

In 2014, we will continue changing our support for students through the qualification, ensuring that the right level of investment to ensure improved progression is directed at a local level. This will include the launch of the new online student community platform. It will provide a place where students can interact and support each other and where we can deliver targeted support.

### RETAIN

The Retain part of the value chain aims to engage members in a lifelong learning relationship with CIMA that supports their career. Expenditure on Retain activities decreased by 6% from 2012 and equates to 16% of total expenditure, a decline from 18% on the previous year. The member population grew slightly less than in 2012, reflecting the challenges of maintaining the progression pipeline through to membership.

We have an excellent retention rate at 99%, an improvement on 2012, which compares very favourably with similar organisations. Although the cost of delivering Continuing Professional Development (CPD) activity and member benefits fell in 2013, this should be viewed against the increase in expenditure on management accounting research and publications.

In 2014, we will continue to look at our member benefits and CPD offerings to ensure they are what members want and use. For example, at the end of 2013 we reviewed how we deliver FM (Financial Management) magazine, which is a highly regarded member benefit. In 2014, we will reduce the number of printed issues and have developed an app to better reflect the changing ways our stakeholders access information.

## FULFIL

Fulfil focuses on meeting the needs of members and students, driving a sense of pride and engagement and improving the efficiency and effectiveness of CIMA to satisfy stakeholders. Expenditure on Fulfil activities grew by 12% from 2012 and represents 10% of CIMA's expenditure. The increase can be primarily attributed to:

- Global Management Accounting Principles: developed in 2013 for launch during 2014
- CIMA 2015 Syllabus: development began in 2012 and work progressed in 2013 with the updated syllabus being written and preparations being made for the launch in February 2014
- Assessment: development of a new platform to deliver the CIMA 2015 Syllabus commenced in 2013, for delivery in 2014 and the first exams in 2015
- Siebel upgrade: started towards the end of 2013 to improve our customer relationship management system and sustain CIMA's business infrastructure
- Development of a new student support community began in 2013
- Registration transformation: a new student registration process launched in 2013 to improve the customer experience.

We expect these and other projects to deliver significant gains in future years for our stakeholders and customers. Investment will be significantly higher in 2014, requiring more resource and focus to ensure success.

## REPUTATION AND RESEARCH

Leading in management accounting issues and research, and demonstrating the benefits of management accounting for business, are key to the success of CIMA and our joint venture with the AICPA. We grew our investment in Reputation and research activity by 5% during 2013, which represents the largest proportion of expenditure at 33%. The increased resource in this activity has been mirrored in the success of the amount of third-party editorial content referencing CIMA. Had we paid for this exposure using traditional advertising routes, the cost would have been £38m.

In 2013, we reorganised our research and development activities to be more effective, with a closer focus on driving the management accounting agenda and the CGMA designation. We continued to invest in the CGMA Innovation Agenda, generating a range of materials on Risk and innovation, Turning data into insight and Resilient business models. We have also worked with partners such as Tomorrow's Company and the International Integrated Reporting Council on various research projects. Delivering high-quality research is key to our commitment to furthering the science of management accounting.

We will continue to invest heavily in our research programme in 2014, aimed primarily at the CGMA audience and employers. Along with the AICPA, we will also promote management accountancy through our imperial sponsorship of the 2014 World Congress of Accountants in Rome as CGMA.

### ASSETS AND LIABILITIES

Our financial position at year end remains solid. The surplus in the year has driven cash held at the year end to increase by £2.6m (12%) to £25.1m, leaving funds stable at £10.0m against £10.5m in 2012.

Our KPI for balance sheet strength is the level of liquid reserves (current assets less current liabilities). Driven by cash, these have risen from £9.8m to £11.7m in the year – an increase of £1.9m (19%). On the face of it, this is a very successful result; however it needs to be taken in the context of the significant investments we will undertake to deliver the strategy out to 2020. CIMA anticipates generating a deficit in 2014 following the funding of its changes in assessment and delivery and preparations for relocating from its London Corporate Centre offices. Even allowing for the result in 2013, we will need to increase fee income (both as a result of increasing member population, and through higher than UK inflation price increases), increase in commercial income and reduce expenditure through a range of targeted savings and efficiencies, to allow liquidity to recover to an appropriate level in the medium term.

### PENSION SCHEME

CIMA operates a defined benefit pension scheme, which has been closed to new entrants since 2002, and to future accrual since 2012. The scheme is in deficit, against which CIMA makes additional contributions of £0.9m per year, with the intention of making it good by 2023.

The deficit has increased by £2.2m, to £10.8m, in the year. As can be seen in detail in our 2013 Financial Statements, the assets held by the scheme have increased in value by £2.7m, however the liabilities have increased by £4.9m. The main driver of the increase in liabilities is a rise in the assumed RPI inflation rate, from 2.9% to 3.5%.

**John Windle FCMA, CGMA**
Chief Financial and Operating Officer

21 March 2014

### EXPENDITURE PER VALUE CHAIN ELEMENT AND KPI

| Value chain | Expenditure 2013 £000 | Expenditure 2012 £000 | Primary KPI | Result 2013 | Result 2012 |
|---|---|---|---|---|---|
| Acquire | £9,342 | £8,773 | Number of new students | 33,581 | 29,322 |
| | | | Number of new members | 5,527 | 5,733 |
| Deepen | £12,305 | £11,132 | Number of papers completed | 184,868 | 168,234 |
| | | | Member population | 95,925 | 91,782 |
| | | | AICPA CGMA population | 40,511 | 37,683 |
| Retain | £8,634 | £9,144 | Member retention rate | 99.0% | 98.9% |
| | | | Member satisfaction rate | 78% | 79% |
| | | | Employee satisfaction rate | 57% | 54% |
| Fulfil | £4,998 | £4,464 | Liquid reserves | £11.7m | £9.8m |
| Reputation and research | £17,136 | £16,288 | Advertising value equivalent (AVE) | £38m | £34m |
| **Total** | **£52,415** | **£49,801** | | | |

## THE UK CORPORATE GOVERNANCE CODE

CIMA is committed to the highest standards of corporate governance and supports the UK Corporate Governance Code, which is published by the Financial Reporting Council. This code was drawn up for listed companies, and includes extensive guidance regarding institutional shareholders. As such, CIMA is not obliged or able to follow it completely. However, the Council is committed to applying it as far as is applicable for a professional body. This report describes how the Council has applied and supported the principles in the interests of best practice.

## COUNCIL

CIMA is governed by a council of up to 58 members (the actual number was 57 at the end of 2013 – see the back of this report for a full list of members during the year). The Council is responsible for setting strategy and policy in line with the objects of CIMA's Royal Charter, and for representing the interests of, and reporting to, the general membership. It determines and reviews CIMA's strategic objectives, goal, and mission, and is the ultimate authority within the organisation. The Council is headed by the President, Malcolm Furber, the Deputy President, Keith Luck, the Vice President, Myriam Madden, and the Immediate Past President, Gulzari Lal Babber. The Council met five times in the year.

The President was elected by the membership at the 2013 AGM, on the recommendation of the Council. He is the honorary leader of CIMA for one year, during which time he acts as chairman of the Council and Executive Committee, and represents the interests of CIMA externally, including to government, the public, the profession, regulatory bodies, and the media. The President, together with the Deputy and Vice President, and the Immediate Past President, provides strategic direction to the Council in its deliberations and is responsible for ensuring the democratic process of the Council and the management of the meetings.

The Council consists of the honorary officers, elected fellows, co-opted fellows (not exceeding one-third of the number of elected members) and up to four other persons as the Council may think fit. All members of the Council are equally responsible for ensuring that the best interests of the general membership are considered in the decision making process. All members of CIMA are entitled to attend the AGM, to vote in person or by proxy on matters required to be referred to the membership, and are asked to complete regular satisfaction surveys to ensure their opinions are heard.

Members of the Council may not be financially rewarded for their work for CIMA, except as allowed by the Royal Charter, Byelaws and Regulations. A register of Council members' interests is maintained, which details any personal or business interests which could give rise to a conflict of interest between CIMA and other bodies.

The Council delegates activities in line with an annually updated scheme of delegations to the appropriate committees, the chief executive, and the senior management team (SMT). The Council has responsibility for setting the terms of reference of these committees, and for reviewing their performance. The chief executive is the most senior staff member of CIMA and is responsible for proposing, advising on and implementing the strategy as agreed by the Council and is ultimately responsible for the profile of CIMA; the managing director reports to the chief executive and is responsible for overseeing CIMA's day-to-day operations. The chief executive is the prime source of operational information and advice for the Council and committee members and, with the assistance of the Corporate Affairs department, is responsible for ensuring that adequate and timely information is available to allow them to prepare for each meeting.

Upon appointment, all new members of the Council are provided with a comprehensive information pack and invited to attend an induction day designed to provide closer understanding of CIMA's operations and strategy, and the way in which the Council meetings are conducted. In addition, all members of the Council are given the opportunity to attend an annually run governance workshop and periodic sessions on chairing effective meetings.

## REPORTING RESPONSIBILITIES OF THE COUNCIL

The Byelaws of CIMA require the Council to ensure that financial statements are prepared for each financial year which give a true and fair view of the state of affairs and of its surplus or deficit for that period. In preparing those financial statements, the Council, in accordance with best practice, is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that CIMA will continue in business
- provide the external auditor with all information required in order for them to complete the audit.

Proper books of account are maintained by the direction of the Council, as required by the Byelaws of CIMA. These disclose with reasonable accuracy at any time the financial position of CIMA. The financial statements are prepared on a going concern basis as the Council is satisfied that there is a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future.

The Council is not aware of any relevant information that has not been disclosed to the external auditor. The Council is responsible for ensuring the maintenance and integrity of the financial information included on CIMA's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## EXECUTIVE COMMITTEE

This Committee was formed to deal with the co-ordination and review of the objectives selected by the Council, to monitor the financial status of CIMA and to approve developments beyond the scope of the annual business plan. The Committee met six times in the year (see page 31 for a list of members during the year).

## APPOINTMENTS COMMITTEE

The Council has set up this committee, which meets as necessary and which met five times during the year (see the back of this report for a list of members during the year). It has responsibility for co-ordinating the arrangements for the selection of the next Vice Presidential candidate, for the election of policy committee chairmen and without portfolio members of the Executive and Appointments Committees. It also has delegated authority from the Council to appoint co-options to the Council, Chairmen and members to CIMA's policy committees, and members to represent the Institute on other non-Institute bodies or organisations.

The Committee approves senior management appointments and remuneration packages, and in doing so it will consider the remuneration of staff at similar levels in comparable organisations, and the relative remuneration of lower level CIMA staff, while avoiding excessive costs. It will also ensure that salary-at-risk forms an appropriate portion of total remuneration.

The Committee will monitor the performance of its appointees against predefined criteria, with specific reference to salary-at-risk. The Appointments Committee also ensures that any payments to Council members for services to CIMA are in accordance with Council policy, and reviews the benefits accruing from CIMA's pension schemes in the light of long-term affordability and commitment to support contractual benefits.

## SUBSIDIARY UNDERTAKINGS – DIRECTORS APPOINTED BY CIMA

CIMA Enterprises Limited (CEL) was incorporated in 2000 to operate the commercial activities of CIMA, namely CIMA Mastercourses, FM magazine, CIMA Privileges, and direct mailing (see page 32 for a list of directors during the year). It was believed that such activities could be developed and expand more freely under this structure. CEL ceased trading on 30 June 2013 because it was decided that the benefits of operating these activities through a separate entity no longer justified the administrative cost; all activity was transferred back to CIMA, with the exception of CEL's investment in the joint venture.

CIMA China Limited was incorporated in 2005 to manage a representative office established in China in 2006. This company became dormant during 2010. We continue to operate in China under a different legal structure.

Global Management Accountants in Business Limited was incorporated in 2006 (see page 32 for a list of directors during the year), and was dormant from inception until the current year, when it invested in the joint venture as explained in Note 12 to the financial statements.

## CONTROLLED CHARITABLE TRUSTS AND OTHER FUNDS

The Benevolent Fund is a registered charity, created to provide assistance to members and ex-members, and their families, in times of hardship. The fund is administered by a committee of four members of the Council and two long standing members of CIMA (see page 32 for a list of members during the year), on behalf of CIMA, the sole trustee.

The Anthony Howitt Lecture Trust is also a registered charity created to advance education in accounting and related subjects. This takes the form of a lecture, normally every other year, by eminent speakers on matters of interest to accountants and other leading members of the business world. The trust receives income from funds originally gifted from the founder, Anthony Howitt. The trustees are all current office holders of CIMA.

The General Charitable Trust is a registered charity and was formed for the advancement of education in the subjects of accounting, management accounting, electronic data processing, costing, auditing, taxation, applied economics, finance and other related subjects of an educational nature. A deed of variation was approved on 30 July 2010 which provides that the power to appoint new trustees is vested in the existing trustees.

All these bodies have governance structures consistent with that of CIMA.

## SOCIAL RESPONSIBILITY

CIMA takes its role seriously in bringing ethics to the forefront of business thinking. All students are issued with the CIMA code of ethics on commencement of their training and are examined in ethical decision-making. The code is based on international standards and defines the core principles which a Chartered Management Accountant must uphold: integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Practical guidance on identifying and resolving ethical conflicts is provided through dedicated resources and helplines. CIMA is also committed to promoting to members their wider duty of care to the public interest, beyond their employer or client, as set out in the code of ethics.

As an Investor in People, CIMA also strongly recognises the importance of its own employees, and the link between satisfied staff and satisfied stakeholders. To this end, it has implemented extensive health and safety, employee satisfaction, learning and development, and performance appraisal programmes. Vacancies are filled from within CIMA wherever possible.

**Malcolm Furber FCMA, CGMA**

President

21 March 2014

Rod Hill chairs the Audit and Risk Process Committee (the Committee). Mr. Hill is both a member of the Chartered Institute of Public Finance and Accountancy, and a Fellow of CIMA. He is a Past President of CIMA and is well experienced in both the public and private sectors. He is currently Pro Chancellor and Chairman of the board of Liverpool John Moores University. Previously, he was Managing Director of Liverpool John Lennon Airport for many years and has chaired boards in the education, youth and health sectors. The Council therefore considers that he has had recent, relevant financial experience. The remaining Committee members are Gordon Grant (vice chairman), Jason Boxer, Ian Kleinman, Mark Lewis, and Howard Whitehead, all of whom are fellows of CIMA and each of whom has extensive business experience.

Under its terms of reference the Committee is required to meet at least twice a year and, among other issues, has responsibility:

- to review, and challenge where necessary, the actions and judgements of CIMA management, in relation to the audited annual financial statements of CIMA, its charities, trusts, pension and benevolent funds, together with the draft annual reports of CIMA subsidiaries, before recommending to Council for endorsement and approval;
- to review, consider and challenge where necessary, the actions and judgements of the Council, the SMT, and other CIMA employees, where appropriate;
- to ensure that the risk register is regularly updated, results analysed and subsequent actions implemented; the internal auditors assist with these procedures;
- to oversee the process and the selection for the external auditors, and to make recommendations through the Council at the AGM for the consideration and approval of the appointment of the external auditors; and
- to oversee the process and the selection of the internal auditors, and to consider and approve the terms of reference for the internal audit function.

The Committee submits a report to the Council following each occasion that it meets.

Whilst only members of the Committee are entitled to attend meetings, the Vice President of CIMA, the chief executive, the chief financial and operating officer, the managing director and the Secretary to the Committee, together with representatives of the external and internal auditors, are normally invited to each meeting, together with advisers and others with appropriate experience, as requested by the Committee.

The Committee met on three occasions during 2013 without management present; it held three closed sessions with the internal auditor and one with the external auditor.

During the year, the following items were reviewed:

- the 2012 Financial Statements and 2012 Annual Review;
- all internal audit reports;
- risk management; and
- all external audit reports.

The Committee also received regular updates from the chief executive on key issues for CIMA.

## EXTERNAL AUDIT

Chantrey Vellacott DFK LLP was reappointed as the Institute's auditors in June 2008 following a tender process approved by the Committee, at which time a sub-group was appointed by the Committee to oversee the review, evaluate the proposals, short list and interview the candidates and make a recommendation to the Council. In December 2007, the Council approved the Committee's recommendation. The contract with Chantrey Vellacott DFK LLP has a maximum length of seven years, subject to satisfactory performance and annual review, when it will again be formally re-tendered.

The Committee reviews the overall performance of the auditors annually and is responsible for making formal recommendations each year to Council on the continuation of the external auditors in office.

The Committee is responsible to the Council for ensuring that the external auditors remains independent of CIMA in all material respects and that they have adequate resources available to them to enable the delivery of an objective audit to the membership.

The Committee remains satisfied with Chantrey Vellacott DFK LLP's effectiveness and independence and is recommending it for reappointment at the 2014 AGM.

The external auditors are required to rotate the audit partner responsible for CIMA audits in accordance with Financial Reporting Council (FRC) guidance. This is the first year under the current lead partner.

The Committee also reviews the level and nature of any non-audit work to be performed during the year and considers whether it is appropriate for this work to be carried out by the external auditors. The Committee maintains a policy regarding acceptable non-audit work, which incorporates authority levels for approving such work. The auditors are precluded from engaging in non-audit services that would compromise their independence and objectivity or violate any laws or regulations affecting their appointment as auditors.

£30k was incurred on non-audit services during the year, as identified in Note 3a to the financial statements. This includes a total of £23k paid to Chantrey Vellacott DFK LLP, of which £16k represents the provision of UK corporation tax services for the year, and £7k relates to business advice on a range of matters. Chantrey Vellacott DFK LLP was chosen to perform this work because of its existing understanding of CIMA's business processes and corporation tax issues. The balance of £7k relates to services provided to non-UK offices; £5k represents the cost of regulatory reporting in India, and the balance is corporation tax support, none of which was provided by DFK firms.

## INTERNAL AUDIT

Representatives from CIMA's internal auditors, Grant Thornton, are invited to attend each Committee meeting, where assurance is provided that internal control activities, which have been subject to audit, are operating effectively.

The internal audit programme is based upon the risk register. During 2013, the following audits were completed, and reports presented to the Committee:

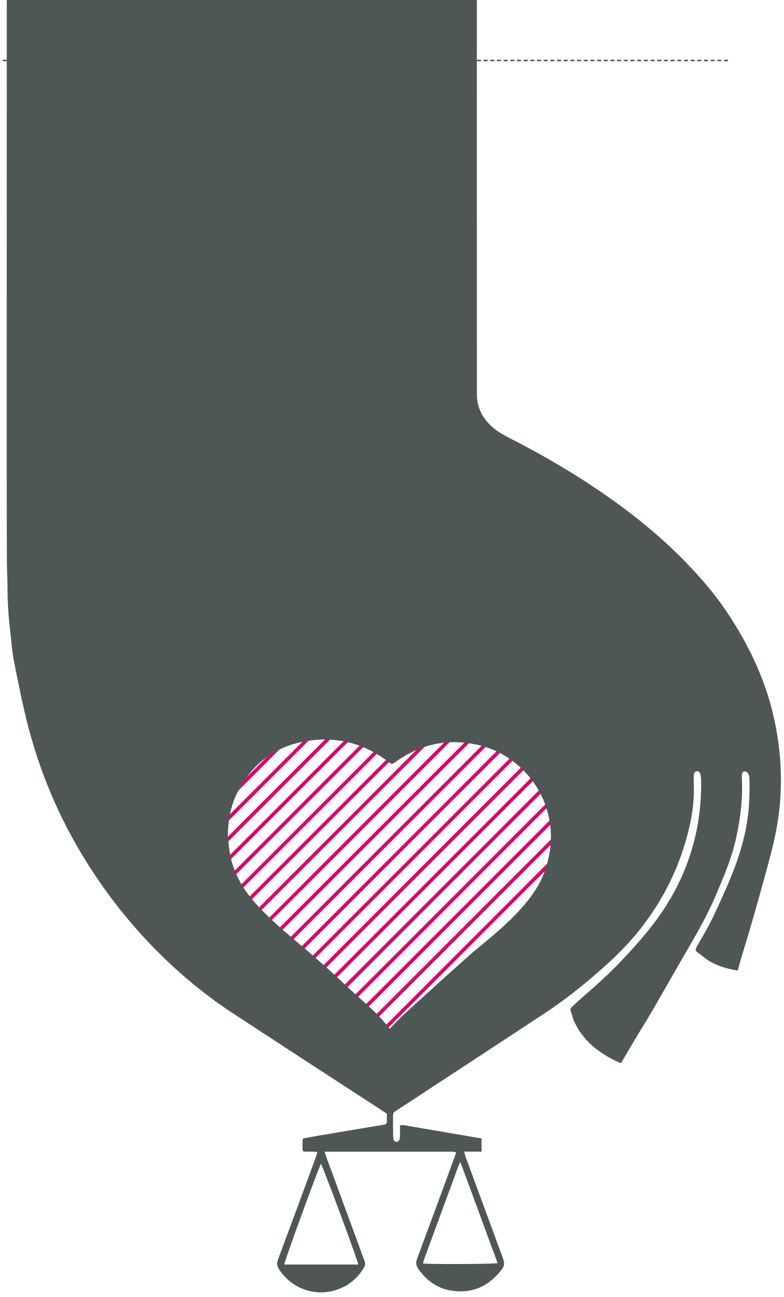
- IT perimeter security
- Competitor threats
- Risk management
- Key financial controls

The Committee monitors any recommendations made by the internal auditors in terms of the responses of and actions taken by management. If any such recommendations are unreasonably, in the opinion of the Committee, rejected or delayed by management then these would be reported to the Council; no such report was necessary in 2013.

## RISK MANAGEMENT

The Council has overall responsibility for determining risk management policy, and the SMT has responsibility for designing, implementing and maintaining systems consistent with this policy. A dynamic system was implemented in 2005, whereby all managers consider the potential risks to their department, grade them by likelihood of occurrence and financial impact, and record the results in the risk register. The Committee has responsibility for ensuring the register is regularly updated, analysing the results, and overseeing the subsequent action plans. It has employed the internal auditors to assist in these procedures. The Executive Committee also actively reviews the risk register twice a year. Furthermore, the SMT regularly monitors CIMA's performance against past and budgeted financial and non-financial criteria. Management accounts are prepared every month and budgets are reforecast twice a year, so that financial risks can be identified early and the appropriate action taken.

These procedures are designed to identify and manage those risks that could adversely impact the achievement of CIMA's objectives. While they do not provide absolute assurance against material misstatements or loss, the Council is of the opinion that proper systems of risk management and internal control are in place within CIMA.



**Rod Hill FCMA, CGMA**

Chairman of the Audit and Risk Process Committee

21 March 2014

We have audited the group financial statements of CIMA for the year ended 31 December 2013 which comprise the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in funds, the Consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Our audit work has been undertaken so that we might state to the 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 CIMA or its members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITOR

As explained more fully in the Reporting responsibilities of Council paragraphs, set out in the Corporate governance statement on page 4, the Council is responsible for the preparation of the group 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 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 the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial review 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 the group's affairs as at 31 December 2013 and of its surplus for the year then ended; and
- have been properly prepared in accordance with IFRS as adopted by the European Union.

## OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

We considered the following areas to be those that required particular focus in the current year. This is not a complete documentation of all areas of risk identified in our audit but summarises the key areas which were highlighted with the Audit and Risk Process Committee in our planning discussions:

- We performed substantive and controls testing relating to revenue recognition as well as analytical procedures, in particular with relation to membership and subscription income, examination fees and outsourced activities;
- We considered the appropriateness of provisions made and obtained confirmation of current status with legal advisers, where appropriate;
- We reviewed the accounting entries made in relation to the joint venture with AICPA, including the adequate provision for impairment of investment and ongoing trading losses; and
- We performed testing of journal entries in order to identify the risk of fraud arising from management override of controls.

## OUR APPLICATION OF MATERIALITY

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our methodology and professional judgement we determined materiality for the group financial statements as a whole to be £340,000. Furthermore, we calculated a performance materiality for each entity we audited.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The group financial statements consolidate the accounts of CIMA and its wholly owned subsidiary undertakings, together with the charitable trusts and other funds under the control of CIMA.

Each entity within the group was audited and procedures were determined in each case with a focus on the areas of risk of material misstatement discussed above.

We tested and examined information using controls testing, substantive and non-substantive techniques to the extent considered necessary to provide us with a reasonable basis to draw conclusions. These procedures gave us the evidence that we need for our opinion on the group's financial statements as a whole.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Council's statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Risk Process Committee which we consider should have been disclosed.

**Chantrey Vellacott DFK LLP**

Statutory Auditor

Russell Square House
10-12 Russell Square
London WC1B 5LF

21 March 2014

| Year ended 31 December | Notes | £000 | 2013 £000 | £000 | 2012 Restated £000 |
|---|---|---|---|---|---|
| **Income** | 2a | | 54,881 | | 50,902 |
| Acquire | 2b | (9,342) | | (8,773) | |
| Deepen | 2c | (12,305) | | (11,132) | |
| Retain | 2d | (8,634) | | (9,144) | |
| Fulfil | 2e | (4,998) | | (4,464) | |
| Reputation and research | 2f | (17,136) | | (16,288) | |
| **Expenditure** | | | (52,415) | | (49,801) |
| **Operating surplus attributable to members** | | | **2,466** | | **1,101** |
| Charitable trusts | 2g | | 15 | | 113 |
| **Total operating surplus** | | | **2,481** | | **1,214** |
| Taxation | 4a | | – | | – |
| **Surplus for the year** | | | **2,481** | | **1,214** |
| Decrease in foreign currency translation reserve | | | (994) | | (503) |
| Increase in fair value reserves | 7 | | 867 | | 342 |
| Actuarial (loss)/gain on pension scheme | 10b | | (2,671) | | 43 |
| **Total comprehensive (expense)/income** | | | **(317)** | | **1,096** |

Results for the year are all derived from continuing operations.

Comparatives have been restated to take account of the effect of adopting the revised IAS 19 Employee Benefits. We have also restructured the Consolidated statement of comprehensive income to better align expenditure with our business model, as explained in the Financial review.

| As at 31 December | Notes | 2013 £000 | 2012 Restated £000 |
|---|---|---|---|
| **Non current assets** | | | |
| Property, plant and equipment | 5 | 2,016 | 2,838 |
| Intangible assets | 6 | 1,765 | 1,404 |
| Investments | 7 | 5,502 | 5,120 |
| | | **9,283** | **9,362** |
| **Current assets** | | | |
| Trade and other receivables | 8a | 3,880 | 3,548 |
| Cash and cash equivalents | 8b | 25,097 | 22,500 |
| | | **28,977** | **26,048** |
| **Total assets** | | **38,260** | **35,410** |
| **Funds** | | | |
| Accumulated fund | | 6,195 | 6,810 |
| Fair value reserves | | 2,260 | 1,799 |
| Foreign currency translation reserve | | (941) | (357) |
| Charitable trusts and other funds | | 2,528 | 2,249 |
| | | **10,042** | **10,501** |
| **Current liabilities** | | | |
| Trade and other payables | 9 | 5,870 | 4,964 |
| Subscriptions and fees received in advance | | 11,452 | 11,257 |
| | | **17,322** | **16,221** |
| **Non current liabilities** | | | |
| Retirement benefit obligation | 10a | 10,836 | 8,638 |
| Long-term liability | | 60 | 50 |
| | | **10,896** | **8,688** |
| **Total funds and liabilities** | | **38,260** | **35,410** |

Results for the year are all derived from continuing operations.

A reconciliation of the movement in funds is presented in the Consolidated statement of changes in funds.

Signed on behalf of the Council

**Malcolm Furber FCMA, CGMA**
President

**Keith Luck FCMA, CGMA**
Deputy President

**John Windle FCMA, CGMA**
Chief Financial and Operating Officer

21 March 2014

| | | Attributable to CIMA members | | | | | |
|---|---|---|---|---|---|---|---|
| | Notes | Accumulated fund £000 | Fair value reserves £000 | Foreign currency translation reserve £000 | Total attributable to CIMA members £000 | Charitable trusts reserves £000 | Group total £000 |
| **Balance at 31 December 2011** | | **5,989** | **1,614** | **(177)** | **7,426** | **2,080** | **9,506** |
| **Changes in funds for 2012** | | | | | | | |
| Realised loss on investment disposal | | – | (101) | – | (101) | – | (101) |
| Unrealised gain on investment revaluation | 7 | – | 286 | – | 286 | 56 | 342 |
| Actuarial gain on pension scheme – restated | 10b | 43 | – | – | 43 | – | 43 |
| Ordinary surplus for the year – restated | | 1,101 | – | – | 1,101 | 113 | 1,214 |
| Foreign exchange loss on translation | | (323) | – | (180) | (503) | – | (503) |
| **Balance at 31 December 2012** | | **6,810** | **1,799** | **(357)** | **8,252** | **2,249** | **10,501** |
| **Changes in funds for 2013** | | | | | | | |
| Realised loss on investment disposal | | – | (142) | – | (142) | – | (142) |
| Unrealised gain on investment revaluation | 7 | – | 603 | – | 603 | 264 | 867 |
| Actuarial loss on pension scheme | 10b | (2,671) | – | – | (2,671) | – | (2,671) |
| Ordinary surplus for the year | | 2,466 | – | – | 2,466 | 15 | 2,481 |
| Foreign exchange loss on translation | | (410) | – | (584) | (994) | – | (994) |
| **Balance at 31 December 2013** | | **6,195** | **2,260** | **(941)** | **7,514** | **2,528** | **10,042** |

Results for the year are all derived from continuing operations.

Comparatives have been restated to take account of the effect of adopting the revised IAS 19 Employee Benefits. Refer to Note 10 for further details.

| Year ended 31 December | Notes | 2013 £000 | 2012 Restated £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Member and student income | | 49,493 | 46,098 |
| Other income | | 5,577 | 4,926 |
| Payments to suppliers | | (32,534) | (32,383) |
| Payments to employees | | (14,858) | (13,774) |
| Payments relating to taxes | | (1,382) | (1,340) |
| Payments relating to post retirement benefits | | (2,288) | (1,212) |
| Payments relating to charitable activities | | (102) | (102) |
| **Cash generated from operating activities** | | **3,906** | **2,213** |
| Taxation | | – | – |
| **Net cash arising from operating activities** | | **3,906** | **2,213** |
| **Cash flows from investing activities** | | | |
| Purchase of investments | | (239) | (204) |
| Proceeds from disposal of investments | | 511 | 488 |
| Purchase of property, plant and equipment | | (160) | (578) |
| Purchase of intangible assets | | (714) | (696) |
| Investment income | | 295 | 433 |
| **Net cash used in investing activities** | | **(307)** | **(557)** |
| **Net increase in cash and cash equivalents** | | **3,599** | **1,656** |
| Cash and cash equivalents at 1 January | | 22,500 | 21,340 |
| **Effect of foreign exchange rate changes** | | | |
| Decrease in foreign currency translation reserve | | (994) | (503) |
| Net exchange differences on property, plant and equipment | | (8) | 7 |
| **Cash and cash equivalents at 31 December** | 8b | **25,097** | **22,500** |

The group financial statements have changed to use the direct, rather than the indirect method of cash flow in 2013. This change has been made as CIMA believes that this is a more transparent and useful method of disclosing the movement in CIMA's cash position to the readers of these financial statements. The comparatives have been restated accordingly.

## 1 SUMMARY OF ACCOUNTING POLICIES

### a Basis of preparation

CIMA is a body incorporated by Royal Charter. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and under the historical cost convention, as modified by the revaluation of freehold properties and investments.

### b Basis of consolidation

The consolidated group financial statements comprise the financial statements of CIMA and the wholly owned subsidiary undertakings, charitable trusts and other funds under the control of CIMA, together with a share of the results, assets and liabilities of jointly controlled entities (joint ventures) using the equity method of accounting, where the investment is carried at cost plus post acquisition changes in the share of net assets of the joint venture, less any provision for impairment.

Control is defined as the ability to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. A joint venture is an entity established to engage in economic activity, which CIMA jointly controls with its fellow venturers. Losses in excess of the consolidated interest in joint ventures are not recognised, except where CIMA or its subsidiaries have made a commitment to make good those losses, and are included in creditors where the investment is impaired.

The consolidated group financial statements comprise the statements of comprehensive income, balance sheets and cash flow statements of CIMA and its non-UK operations as detailed in Note 12.

### c Adoption of new and revised standards

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 10 Consolidated financial statements

IFRS 11 Joint arrangements

IFRS 12 Disclosure of interests in other entities

IAS 27 Separate financial statements

IAS 28 Investments in associates and joint ventures

However, the Council members do not expect that the adoption of these standards and interpretations in future periods will have a material impact on the financial statements of the group.

### d Income recognition

The main income streams are recognised as follows:

- Subscriptions in the year when they fall due, where there is no significant uncertainty as to collectability
- Exam fees by the date of the exam
- Courses and conferences revenue represents a percentage of the total income arising on the combination of courses and conferences activity and BPP Professional Education Limited, Finance and Tax operations, in accordance with the outsourced contractual arrangements
- Magazine sales and advertising by the month of publication
- Dividends from investments when CIMA's right to receive payment is established
- Interest accrued on a daily basis
- Sponsorship income recognised when the event occurs
- Charitable donations and income recognised when they are received
- Amounts received in advance are carried forward and included in current liabilities as deferred income.

## 1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### e Expenditure recognition

Expenditure is recognised as follows:

- Expenditure related to a specific income stream is recognised in the same period as the income
- Expenditure related to a specific period of time or service is recognised in that period. Goods or services delivered, for which the invoice has not been received, are accrued in the accounting period that they are received
- Expenditure delivering the core products or services of CIMA or its ongoing functional activity for which there is no direct revenue benefit is expensed in the accounting period in which the commitment was made
- Expenditure on product development is matched against income received from that product
- Research and development expenditure in the science of management accounting is written off in the year in which the commitment was made. Full provision has been made for the residual commitments, together with other outgoings, or obligations where CIMA is contractually committed to carry out further research activities
- Charitable expenditure is recognised on an accruals basis.

### f Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to CIMA. All other leases are classified as operating leases, and rental payments are charged against income on a straight line basis over the term of the lease.

### g Taxation

Corporation tax arises on CIMA's chargeable gains, investment income less any charitable donations by way of gift aid, and trading profits. Provision is made for deferred taxation to the extent that timing differences are expected to reverse in future periods. No provision for deferred taxation is included in respect of surpluses on revaluation of property and investments.

### h Investments

Investments are recognised at cost on the trade date, and are restated on the reporting date at fair value. Unrealised gains and losses (including those arising on translation of investments denominated in foreign currencies) are recognised directly in fair value reserves until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in fair value reserves is included in net surplus or deficit for the period.

### i Property, plant and equipment

Freehold land and buildings are carried at fair value, based on valuations conducted every three years, with subsequent additions at cost. They are depreciated at 2% reducing balance method on cost.

Leasehold buildings are carried at fair value, based on valuations conducted every three years, with subsequent additions at cost. They are depreciated on a straight line basis over the period of occupation. Leasehold improvements are carried at cost and depreciated on a straight line basis over the period of occupation.

Other equipment, comprising IT hardware, is carried at cost and depreciated on a straight line basis at rates varying from 20% to 50%, depending on the useful economic life of the equipment. Small items of furniture and office equipment are expensed in the year of purchase. Cost includes attributable irrecoverable VAT.

### j Intangible assets

Intangible assets comprise computer software and trademarks, these are stated at cost. Cost includes attributable irrecoverable VAT.

Amortisation is charged on a straight line basis over the estimated useful economic life of the software (between two and five years) and over the duration of the trademark (approximately 10 years). The impairment of intangible assets is considered annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and provisions made where necessary.

**k Impairment**

At each balance sheet date the carrying amounts of tangible non current assets with finite lives are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

If the recoverable amount of the asset is estimated to be less than the carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses are recognised in the Consolidated statement of comprehensive income, unless the asset is land or buildings at a revalued amount, in which case the impairment loss is treated as a decrease in the fair value reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in the Consolidated statement of comprehensive income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the fair value reserve.

**l Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, balances with banks, and investments in money market instruments representing short-term, highly liquid investments, that are readily convertible to known amounts of cash.

**m Retirement benefits**

For defined benefit plans, the cost of providing benefits is determined using the projected credit method, with actuarial valuations being carried out at each balance sheet date. Past service cost is recognised immediately, to the extent that benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the amended benefits become vested.

The amount recognised in the Consolidated balance sheet represents the present value of the defined benefit obligation, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available funds and reductions in future contributions to the plan.

For the defined contribution scheme, the cost recognised for the period is the contribution payable in exchange for service rendered by employees during the period.

**n Foreign currencies**

Transactions in currencies other than sterling are initially recorded at the rates of exchange prevailing on the dates of the transactions. Surpluses and deficits arising on exchange are included in the net surplus or deficit for the period. Monetary assets and liabilities are translated at the rates prevailing on the balance sheet date, including the accounts of the non-UK operations. On consolidation, the income and expense items of the non-UK operations are translated at the average rates for the period. Exchange differences on the translation of the assets and liabilities of the non-UK operations have been taken to the foreign currency translation reserve.

**o Derivatives**

CIMA uses derivative financial instruments (derivatives) to hedge its exposure to foreign exchange risks arising from operational activities. CIMA does not hold or issue derivatives for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised at fair value. As the financial instruments are designated as fair value through profit and loss, the gain or loss on re-measurement to fair value is recognised immediately in the Consolidated statement of comprehensive income.

**p Sources of estimation and uncertainty**

The preparation of the financial statements requires CIMA to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Council members base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions or conditions.

**q Significant judgements**

CIMA believes that the most significant critical judgement area in the application of its accounting policies is its deferred benefit pension scheme assumptions, which are set out in Note 10.

## 2 DETAILED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | 2013 £000 | 2012 Restated £000 |
|---|---|---|---|
| a | **Income** | | |
| | Member and student subscriptions | 32,261 | 29,860 |
| | Examinations and exemptions | 17,037 | 15,834 |
| | Goods and services | 3,379 | 3,019 |
| | Financial | 2,204 | 2,189 |
| | **Total income** | **54,881** | **50,902** |
| | **Expenditure** | | |
| b | **Acquire** | | |
| | Government activity | (32) | (30) |
| | Higher education general activity | (2,182) | (2,019) |
| | Higher education accreditation of degree streams | (1) | (1) |
| | Higher education embedding of CIMA syllabus | (2) | (2) |
| | Schools | (585) | (513) |
| | Employer activity | (1,158) | (1,071) |
| | Gateways | (99) | (90) |
| | Non core products | (180) | (233) |
| | Unsolicited registration | (665) | (590) |
| | Delayed activation | (131) | (121) |
| | Tuition partner activity | (28) | (23) |
| | Value chain support services | (4,279) | (4,080) |
| | **Total Acquire** | **(9,342)** | **(8,773)** |
| c | **Deepen** | | |
| | Exemptions | (386) | (220) |
| | Induction programmes | (7) | (4) |
| | Exam delivery | (5,352) | (4,906) |
| | Exam entry campaigns | (215) | (199) |
| | Fee paid support | (255) | (156) |
| | Free support | (675) | (627) |
| | Tuition provision | (430) | (383) |
| | Member assessments | (212) | (160) |
| | New member campaigns | (54) | (52) |
| | Student lapsing prevention | (224) | (202) |
| | Student lapsing recovery | (17) | (16) |
| | Deepen directorate | (282) | (188) |
| | Lifelong learning directorate | (91) | (61) |
| | Value chain support services | (4,105) | (3,958) |
| | **Total Deepen** | **(12,305)** | **(11,132)** |
| d | **Retain** | | |
| | CPD activity | (664) | (804) |
| | Member benefits | (2,048) | (2,599) |
| | Member engagement | (1,681) | (1,666) |
| | Lapsing prevention | (152) | (133) |
| | Lapsing recovery | (4) | (4) |
| | Value chain support services | (4,085) | (3,938) |
| | **Total Retain** | **(8,634)** | **(9,144)** |

| | | 2013 £000 | 2012 Restated £000 |
|---|---|---|---|
| e | **Fulfil** | | |
| | Employee satisfaction | (1) | (1) |
| | Projects | (794) | (468) |
| | Global Management Accounting Principles | (116) | (54) |
| | Surveys | (45) | (41) |
| | Value chain support services | (4,042) | (3,900) |
| | **Total Fulfil** | **(4,998)** | **(4,464)** |
| f | **Reputation and research** | | |
| | Outputs | (1,290) | (903) |
| | Governance | (1,785) | (1,761) |
| | Profile raising activity | (4,445) | (4,629) |
| | Relationships | (55) | (59) |
| | Internal brand engagement | (338) | (196) |
| | Ethical practice | (220) | (199) |
| | Profile raising amongst employers | (965) | (886) |
| | CGMA Innovation Agenda | (350) | (232) |
| | Membership of regulatory bodies | (1,229) | (1,099) |
| | Standards, regulations and compliance | (2,121) | (1,922) |
| | Impairment of joint venture investment | (230) | (25) |
| | Provision for share of joint venture losses* | 183 | (241) |
| | Value chain support services | (4,291) | (4,136) |
| | **Total Reputation and research** | **(17,136)** | **(16,288)** |
| | **Total expenditure** | **(52,415)** | **(49,801)** |
| | **Operating surplus attributable to members** | **2,466** | **1,101** |
| g | **Charitable trusts** | | |
| | **Benevolent Fund** | | |
| | Income | 106 | 96 |
| | Expense | (102) | (102) |
| | Impairment reversal | – | 107 |
| | **Anthony Howitt Lecture Trust** | | |
| | Income | 11 | 12 |
| | **Total charitable trusts** | **15** | **113** |
| | **Total operating surplus** | **2,481** | **1,214** |

* Note that the gain recorded against the provision of joint venture losses in 2013 is due to the impairment of the additional investment which exceeded the year to date losses made by the joint venture.

## 3 OPERATING SURPLUS

**a The operating surplus has been arrived at after charging:**

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Audit fees of group | 117 | 115 |
| Taxation and other services paid to external auditor | 30 | 33 |
| | **147** | **148** |
| Net foreign exchange (loss)/gain | **(50)** | **9** |
| Research and development costs | **946** | **597** |
| Depreciation of owned property, plant and equipment | **985** | **711** |
| Amortisation of intangible assets | **353** | **636** |
| Gain on disposal of investments | **177** | **142** |
| Operating lease cost | **1,495** | **1,498** |

In accordance with article 3(c) of the Royal Charter, no Council member was remunerated during the year, except under byelaw 34(b) (examiners' fees). No Council member benefited personally from any contract with CIMA, and contracts with organisations with which Council members were connected are not of a material nature. The total reimbursement of expenses incurred by Council members on CIMA business was £1.0m (2012: £0.9m).

**b Employees**

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Salaries and wages (including temporary staff)* | 14,985 | 13,774 |
| National insurance | 1,382 | 1,340 |
| Defined benefit pension scheme – service cost | – | 97 |
| Defined contribution scheme | 1,606 | 1,073 |
| | **17,973** | **16,284** |

* These figures include the SMT detailed below and also non-UK expenditure converted at the average exchange rate.

The year end number of UK employees was 250 (2012: 242), and the number of employees outside of the UK was 170 (2012: 173).

All employees work in administrative roles.

c **Senior management team**

Remuneration and the likely short term employee benefits payable to members of the SMT is:

| | | Salary £000 | Salary-at-risk £000 | Pension contribution £000 | Total 2013 £000 | Total 2012 £000 |
|---|---|---|---|---|---|---|
| Chief executive | | 261 | 52 | 33 | 346 | 320 |
| Managing director | | 159 | 27 | 23 | 209 | 206 |
| Chief financial and operating officer | | 144 | 30 | 20 | 194 | 185 |
| Executive director governance and professional standards | finished Sep13 | 81 | 18 | 12 | 111 | 168 |
| Executive director governance and professional standards | started Sep13 | 38 | 4 | 7 | 49 | – |
| Executive director marketing | started Mar12 | 128 | 17 | 9 | 154 | 131 |
| Executive director education | started Aug12 | 119 | 25 | 17 | 161 | 55 |
| Executive director education | finished Apr12 | – | – | – | – | 52 |
| Executive director global corporate relations | | 117 | 19 | 13 | 149 | 149 |
| | | **1,047** | **192** | **134** | **1,373** | **1,266** |

The role of executive director marketing was vacant from October 2011 until March 2012.

The chief executive's pay review on 1 April 2013 was a review of two years of performance.

## 4 TAXATION

| | 2013 £000 | 2012 £000 |
|---|---|---|
| a **Tax charge for the year** | | |
| UK corporation tax payable on surplus for the year | – | – |

b **Factors affecting the tax charge for the year**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

| | 2013 £000 | 2012 Restated £000 |
|---|---|---|
| Surplus on ordinary activities before tax | 2,481 | 1,214 |
| Tax on surplus on ordinary activities at the standard rate of 23.25% (2012: 24.5%) | 577 | 297 |
| **Effects of:** | | |
| Net income not taxable | (559) | (304) |
| Capital allowances more than depreciation | (4) | (5) |
| Utilisation of tax losses | (17) | (15) |
| Charitable trusts | 3 | 27 |
| **Current tax charge for the year** | – | – |

No tax liabilities arise under the activities of the charitable trusts.

## 5 PROPERTY, PLANT AND EQUIPMENT

| | Freehold land and building (at valuation) £000 | Leasehold land and building (at valuation) £000 | Leasehold improvements (at cost) £000 | Other equipment (at cost) £000 | Total £000 |
|---|---|---|---|---|---|
| **Net book value** | | | | | |
| **At 31 December 2011** | **999** | **284** | **1,355** | **339** | **2,977** |
| **Cost or valuation** | | | | | |
| At 1 January 2012 | 1,041 | 326 | 4,462 | 1,191 | 7,020 |
| Additions | 52 | 15 | 101 | 410 | 578 |
| Disposals | – | – | (5) | (13) | (18) |
| Devaluation | (82) | (37) | – | – | (119) |
| Foreign exchange | – | – | (10) | (5) | (15) |
| **At 31 December 2012** | **1,011** | **304** | **4,548** | **1,583** | **7,446** |
| **Accumulated depreciation** | | | | | |
| At 1 January 2012 | (42) | (42) | (3,107) | (852) | (4,043) |
| Charge for the year | (21) | (20) | (417) | (253) | (711) |
| Eliminated on disposals | – | – | 5 | 13 | 18 |
| Devaluation | 61 | 60 | – | – | 121 |
| Foreign exchange | – | – | 5 | 2 | 7 |
| **At 31 December 2012** | **(2)** | **(2)** | **(3,514)** | **(1,090)** | **(4,608)** |
| **Net book value** | | | | | |
| **At 31 December 2012** | **1,009** | **302** | **1,034** | **493** | **2,838** |
| **Cost or valuation** | | | | | |
| At 1 January 2013 | 1,011 | 304 | 4,548 | 1,583 | 7,446 |
| Additions | – | – | 39 | 121 | 160 |
| Disposals | – | – | – | (10) | (10) |
| Foreign exchange | – | – | (11) | (59) | (70) |
| **At 31 December 2013** | **1,011** | **304** | **4,576** | **1,635** | **7,526** |
| **Accumulated depreciation** | | | | | |
| At 1 January 2013 | (2) | (2) | (3,514) | (1,090) | (4,608) |
| Charge for the year | (20) | (24) | (649) | (292) | (985) |
| Eliminated on disposals | – | – | – | 5 | 5 |
| Foreign exchange | – | – | 30 | 48 | 78 |
| **At 31 December 2013** | **(22)** | **(26)** | **(4,133)** | **(1,329)** | **(5,510)** |
| **Net book value** | | | | | |
| **At 31 December 2013** | **989** | **278** | **443** | **306** | **2,016** |

Freehold and leasehold land and buildings refer to property in Sri Lanka. Leasehold improvements includes 26 Chapter Street and also non-UK offices.

The valuation of the freehold and leasehold land and building in Sri Lanka has been prepared by Ariyatillake & Co (PVT) Limited, on the basis of depreciated replacement cost at 30 November 2012. The valuation segregates the respective values of the freehold and leasehold land and buildings.

## 6 INTANGIBLE ASSETS

| | Computer software £000 | Trademarks £000 | Total £000 |
|---|---|---|---|
| **Net book value** | | | |
| **At 31 December 2011** | **810** | **534** | **1,344** |
| **Cost** | | | |
| At 1 January 2012 | 7,122 | 535 | 7,657 |
| Additions | 469 | 227 | 696 |
| **At 31 December 2012** | **7,591** | **762** | **8,353** |
| **Accumulated amortisation** | | | |
| At 1 January 2012 | (6,312) | (1) | (6,313) |
| Charge for the year | (627) | (9) | (636) |
| **At 31 December 2012** | **(6,939)** | **(10)** | **(6,949)** |
| **Net book value** | | | |
| **At 31 December 2012** | **652** | **752** | **1,404** |
| **Cost** | | | |
| At 1 January 2013 | 7,591 | 762 | 8,353 |
| Additions | 547 | 167 | 714 |
| Disposals | (15) | – | (15) |
| **At 31 December 2013** | **8,123** | **929** | **9,052** |
| **Accumulated amortisation** | | | |
| At 1 January 2013 | (6,939) | (10) | (6,949) |
| Charge for the year | (327) | (26) | (353) |
| Eliminated on disposals | 15 | – | 15 |
| **At 31 December 2013** | **(7,251)** | **(36)** | **(7,287)** |
| **Net book value** | | | |
| **At 31 December 2013** | **872** | **893** | **1,765** |

## 7 INVESTMENTS

| | CIMA £000 | Charitable trust funds £000 | Total £000 |
|---|---|---|---|
| **At 31 December 2011 at fair value** | **3,165** | **1,773** | **4,938** |
| Historical cost | 2,479 | 1,851 | 4,330 |
| **At 1 January 2012 at fair value** | **3,165** | **1,773** | **4,938** |
| Additions of listed investments at cost | 16 | 163 | 179 |
| Investment in joint venture at cost | 25 | – | 25 |
| Disposals of listed investments at opening fair value | (446) | – | (446) |
| Impairment of investment in joint venture | (25) | – | (25) |
| Unrealised gain on revaluation of listed investments | 286 | 56 | 342 |
| Reversal of impairment loss on revaluation of listed investments | – | 107 | 107 |
| **At 31 December 2012 at fair value** | **3,021** | **2,099** | **5,120** |
| Historical cost | 2,176 | 2,014 | 4,190 |
| **At 1 January 2013 at fair value** | **3,021** | **2,099** | **5,120** |
| Additions of listed investments at cost | 9 | – | 9 |
| Additional investment in joint venture at cost | 230 | – | 230 |
| Disposals of listed investments at opening fair value | (494) | – | (494) |
| Impairment of additional investment in joint venture | (230) | – | (230) |
| Unrealised gain on revaluation of listed investments | 603 | 264 | 867 |
| **At 31 December 2013 at fair value** | **3,139** | **2,363** | **5,502** |
| Historical cost | 2,063 | 2,014 | 4,077 |

The above investments comprise listed investments and the investment in the joint venture.

## 8 CURRENT ASSETS

The Council considers that the carrying amounts of these assets approximate to their fair values.

**a Trade and other receivables comprise:**

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Trade receivables | 434 | 961 |
| Prepayments | 985 | 1,319 |
| Other receivables | 2,215 | 974 |
| Other taxes and social security costs | 246 | 294 |
| **Trade and other receivables** | **3,880** | **3,548** |

The average credit period taken on trade receivables is 28 days (2012: 61 days). In 2012, 43 days are attributable to a large debtor amount which was invoiced at the end of 2012 and was paid at the beginning of 2013. An allowance of £3k has been made in respect of trade receivables (2012: £19k). Balances over their credit terms in trade receivables which have not been provided for total £134k (2012: £82k).

**b Cash and cash equivalents comprise:**

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Cash on hand and bank balances | 24,884 | 22,309 |
| Short-term cash deposits | 127 | 125 |
| Charitable trusts' bank balances | 86 | 66 |
| **Cash and cash equivalents** | **25,097** | **22,500** |

**c Risk**

**Credit risk**

The risk on cash balances, deposits and available-for-sale investments is managed in a risk averse manner, being held with UK clearing banks with high credit ratings assigned by international agencies. The trade credit risk is mainly attributable to subscription and exam fee income. There is no concentration of risk in this area, as income is diversified over a large number of members and students.

**Liquidity risk**

CIMA's business model, with subscription fees falling due on 1 January and examination fees being due before exam event commitments are made, results in working capital requirements being fully funded in advance. This results in a high proportion of CIMA's asset base being cash on deposit. These deposits are actively managed to ensure that working capital requirements are met at all times. Total longer-term liabilities, such as property lease commitments, are substantially covered by strong reserves.

**Currency risk**

CIMA operates in a number of countries, has trade commitments in a number of currencies and, therefore, has some exposure to currency movements. Income is largely sterling denominated, while non-sterling expenditure accounts for 21% of total expenditure. CIMA continues to review currency risk on a regular basis and will take action to hedge risk as appropriate.

**Investment risk**

Investment income fell by £138k from £433k to £295k, due to reduced market interest rates in 2013 compared to those available in 2012. Budgets are prepared on a prudent basis and income from investments is not relied on for CIMA's ongoing activities. Investments are reviewed on a regular basis.

## 9 CURRENT LIABILITIES

The Council considers that the carrying amounts of these liabilities approximates to their fair values.

**Trade and other payables comprise:**

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Trade payables and accruals | 5,815 | 4,907 |
| Research accruals | 19 | 30 |
| Deferred income | 36 | 27 |
| **Current liabilities** | **5,870** | **4,964** |

## 10 RETIREMENT BENEFITS

The Institute sponsors The Chartered Institute of Management Accountants Pension and Assurance Scheme ("the Scheme"), a funded defined benefit pension scheme in the UK. The Scheme is administered within a trust which is legally separate from the Institute. Trustees are appointed by both the Institute and the Scheme's membership and act in the interest of the Scheme and all relevant stakeholders, including the members and the Institute. The trustees are also responsible for the investment of the Scheme's assets.

This scheme provides pensions and lump sums to members on retirement and to their dependants on death. Members who leave service before retirement are entitled to a deferred pension. The Scheme closed to accrual of benefits on 31 March 2012.

The Institute pays contributions to remove the deficit revealed at the 2012 valuation. The trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme, whereas the accounting assumptions must be best estimates.

The responsibility for making good any deficit within the Scheme lies with the Institute and this introduces a number of risks for the Institute. The major risks are: interest rate risk, inflation risk, investment risk and longevity risk. The Institute and trustees are aware of these risks and manage them through appropriate investment and funding strategies. The trustees manage governance and operational risks through a number of internal controls policies, including a risk register.

The Scheme is subject to regular actuarial valuations, which are usually carried out every three years. The next actuarial valuation is due to be carried out with an effective date of 1 April 2015. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

A formal actuarial valuation was carried out as at 1 April 2012. The results of that valuation have been projected to 31 December 2013 by a qualified independent actuary. The figures in the following disclosure were measured using the projected unit method.

### a Amounts recognised in the consolidated balance sheet

| | 2013<br>£000 | 2012<br>Restated<br>£000 | 2011<br>Restated<br>£000 |
|---|---|---|---|
| Present value of scheme liabilities | (43,182) | (38,242) | (36,589) |
| Fair value of scheme assets | 32,346 | 29,604 | 27,867 |
| Funded status | (10,836) | (8,638) | (8,722) |
| Restriction on assets recognised | – | – | – |
| **Net amount recognised at year end** | **(10,836)** | **(8,638)** | **(8,722)** |

### b Amounts charged to the statement of comprehensive income

| | 2013<br>£000 | 2012<br>Restated<br>£000 | 2012<br>Prior to restatement<br>£000 |
|---|---|---|---|
| **Service cost** | | | |
| Current service cost (net of employee contributions) | – | 97 | 97 |
| Administration expenses | 94 | 170 | – |
| Past service cost and loss on settlements and curtailments | – | – | 94 |
| Net interest expense | 378 | 397 | – |
| **Charge recognised in the Consolidated statement of comprehensive income** | **472** | **664** | **191** |
| **Remeasurements of the net liability** | | | |
| Return on scheme assets (excluding amount included in interest expense) | (1,425) | (916) | (510) |
| Loss arising from changes in financial assumptions | 4,088 | 1,792 | 1,792 |
| Experience loss/(gain) | 8 | (919) | (919) |
| **Charge/(credit) recorded in other comprehensive income** | **2,671** | **(43)** | **363** |
| **Total defined benefit cost** | **3,143** | **621** | **554** |

The current and past service costs, settlements and curtailments, together with the net interest expense for the year are included in the employee benefits expense in the statement of comprehensive income. Remeasurements of the net defined benefit liability are included in other comprehensive income.

c **The principal actuarial assumptions used**

| | 2013 % | 2012 % |
|---|---|---|
| Liability discount rate | 4.5 | 4.6 |
| Inflation assumption RPI | 3.5 | 2.9 |
| Inflation assumption CPI | 2.5 | 2.2 |
| Rate of increase in salaries | N/A | N/A |
| **Revaluation of deferred pensions** | | |
| In service deferreds | 3.5 | 2.9 |
| Deferreds | 2.5 | 2.15 |
| **Increases for pensions in payment** | | |
| Benefits accrued prior to 1 April 2004 | 3.7 | 3.4 |
| Benefits accrued post to 1 April 2004 | 3.5 | 2.9 |
| Proportion of employees commuting pension for cash | All members commute 2.25 times their pension at retirement | All members commute 2.25 times their pension at retirement |
| Mortality assumption – pre retirement | Light SAPS S1PxA CMI_2011_(1.5%) | Light SAPS S1PxA CMI_2011_(1.5%) |
| Mortality assumption – post retirement | Light SAPS S1PMA CMI_2011_(1.5%) | Light SAPS S1PMA CMI_2011_(1.5%) |
| **Future expected lifetime of current pensioner at age 65** | | |
| Male aged 65 at year end | 90 | 90 |
| Female aged 65 at year end | 91 | 91 |
| **Future expected lifetime of future pensioner at age 65** | | |
| Male aged 45 at year end | 92 | 92 |
| Female aged 45 at year end | 93 | 93 |

The choice of assumptions is the responsibility of the Council, and they are agreed with the actuary. The assumptions chosen are the most appropriate estimates from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

d **Changes in present value of assets**

| | 2013 £000 | 2012 Restated £000 | 2012 Prior to restatement £000 |
|---|---|---|---|
| **Fair value of assets at start of period** | **29,604** | **27,867** | **27,867** |
| Investment income | 1,361 | 1,302 | 1,605 |
| Return on assets (excluding amount included in net interest expense) | 1,425 | 916 | 510 |
| Contributions from the employer | 945 | 685 | 618 |
| Contributions from employees | – | 20 | 20 |
| Benefits paid | (895) | (1,016) | (1,016) |
| Administration expenses | (94) | (170) | – |
| **Fair value of assets at end of period** | **32,346** | **29,604** | **29,604** |
| Actual return on assets over the period | 2,590 | 2,218 | 2,115 |

## 10 RETIREMENT BENEFITS (CONTINUED)

### e Changes in present value of liabilities over the period

| | 2013 £000 | 2012 Restated £000 |
|---|---|---|
| **Liabilities at start of period** | **38,242** | **36,589** |
| Current service cost | – | 97 |
| Interest cost | 1,739 | 1,699 |
| **Remeasurement (gains)/losses** | | |
| Actuarial gains and losses arising from changes in financial assumptions | 4,088 | 1,792 |
| Other experience items | 8 | (919) |
| Benefits paid | (895) | (1,016) |
| **Liabilities at end of period** | **43,182** | **38,242** |

### f Split of scheme liabilities by category of membership

| | 2013 £000 | 2012 Restated £000 |
|---|---|---|
| Active members | 9,000 | 7,379 |
| Deferred pensioners | 19,742 | 17,109 |
| Pensions in payment | 14,440 | 13,754 |
| **Liabilities at end of period** | **43,182** | **38,242** |
| Average duration of the Scheme's liabilities at the end of the period (years) | 22 | 22 |

### g The major categories of scheme assets are as follows

| | 2013 £000 | 2012 Restated £000 |
|---|---|---|
| UK equities | 5,073 | 5,458 |
| Overseas equities | 6,440 | 5,257 |
| Hedge funds | 4,506 | 2,633 |
| **Total return seeking** | **16,019** | **13,348** |
| Corporates | 13,511 | 12,331 |
| **Total debt instruments** | **13,511** | **12,331** |
| Property | 2,069 | 1,916 |
| Cash | 747 | 2,009 |
| **Total market value of assets** | **32,346** | **29,604** |

The Scheme has no investments in CIMA or in property occupied by CIMA.

CIMA expects to contribute £940k to the Scheme during the year ending 31 December 2014 in addition to the expenses incurred over the year.

**h Sensitivity of the liability value to changes in the principal assumptions**

If the discount rate was 0.1% higher (lower), the Scheme liabilities would decrease by £900k (increase by £900k) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1% higher (lower), the Scheme liabilities would increase by £400k (decrease by £900k). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is the deferred pension and pension in payment increases. The other assumptions remain unchanged.

If life expectancies were to increase (decrease) by one year, the Scheme liabilities would increase by £1,300k (decrease by £1,400k) if all the other assumptions remained unchanged.

If members were assumed not to commute any pension for cash at retirement, the Scheme liabilities would increase by £3,000k if all the other assumptions remained unchanged.

**i Long-term liability**

Provision has been made in the CIMA Sri Lanka entity for retirement gratuities in conformity with Sri Lankan Accounting Standards (SLAS) 16/Gratuity Act No. 12 of 1983 for all employees who have completed one year of service, and is recognised as an expense in the period during which their services are rendered in accordance with SLAS 16.

## 11 COMMITMENTS

**a Property rentals**

At the balance sheet date, CIMA had outstanding commitments for future minimum lease payments, under non-cancellable operating leases, which fall due as follows:

| | £000 |
|---|---|
| Not later than one year | 1,495 |
| Later than one year, and not later than five years | 1,458 |
| Later than five years | – |

CIMA is the leaseholder for 26 Chapter Street for a period of 15 years to September 2015. Annual rental of £930k, included above, is payable under the lease, subject to an upward only review every five years. The last review of the lease was held on 29 September 2010.

**b Other commitments**

Other commitments primarily relate to the lease of photocopiers at 26 Chapter Street.

| | £000 |
|---|---|
| Not later than one year | 76 |
| Later than one year, and not later than five years | 2 |
| Later than five years | – |

## 12 SUBSIDIARIES AND ASSOCIATED BODIES

The group financial statements consolidate the accounts of CIMA and its wholly owned subsidiary undertakings, together with the charitable trusts under the control of CIMA, made up to 31 December each year.

### a Subsidiary undertakings

**CIMA Enterprises Limited (CEL)**

| | Share capital £000 | Loans £000 | Trading £000 | Provision £000 | Total £000 |
|---|---|---|---|---|---|
| **At 1 January 2013** | **1,569** | **1,436** | **(235)** | **(1,556)** | **1,214** |
| Release of provision | – | – | – | (9) | (9) |
| Net repayments | – | (1,277) | 870 | – | (407) |
| Services recharged to CEL | – | – | (635) | – | (635) |
| **At 31 December 2013** | **1,569** | **159** | **–** | **(1,565)** | **163** |

CEL was incorporated in England on 2 March 2000, and commenced trading on 1 September 2000. CIMA holds 100% of the issued share capital of CEL. Its principal activities were magazine publications and direct mailing. In March 2010, CIMA transferred its courses and conferences activity to BPP Professional Education Limited. This activity has been combined with the Finance and Tax activity of BPP Professional Education Limited and CIMA receives a percentage of the joint revenue. Intercompany transactions occur as both entities provide services to each other. Recharges are made as per the intercompany agreement. CEL has a long-term loan from CIMA to support CEL as a going concern. This loan is repayable at an interest rate of 1% above Barclays Bank base rate.

CEL ceased trading on 30 June 2013; all activity was transferred back to CIMA, with the exception of its investment in the joint venture.

**CIMA China (Wholly Owned Foreign Entity)**

A Wholly Owned Foreign Entity (WOFE) was established in China on 11 January 2010, for the purpose of continuing CIMA's membership activity in that country. It holds a business licence allowing it to operate for a 20 year period, from the date of incorporation to 10 January 2030. CIMA owns 100% of the issued share capital of £1m, and a provision is made in CIMA's balance sheet to recognise that the WOFE net assets at the year end, totalling £109k, are below the initial investment. CIMA funds the operations of the WOFE by way of a quarterly fund transfer, which totalled £1,418k in 2013 (2012: £1,069k); there are no other services provided between the WOFE and CIMA.

**Other companies**

CIMA holds 98% of the 100 issued £1 ordinary shares of The Corporate Society of Financial Management Limited, 100% of the two issued £1 ordinary shares of The Institute of Cost and Works Accountants Limited and 100% of the 100 £1 issued ordinary shares of Global Professional Accountants in Business Limited, Professional Accountants in Business Limited, Management Accountants in Business Limited, and CIMA China Limited. All these companies were dormant in the periods covered by these financial statements. CIMA also holds 100% of the 100 £1 issued ordinary shares in Global Management Accountants in Business Limited, which became active through membership of, and investment in, the Association of International Certified Public Accountants joint venture (see Note 12c).

CIMA holds 100% of the 100 issued SGD1 ordinary shares of CIMA Singapore Pte. Limited, and 100% of the 100 issued MYR1 ordinary shares of CIMA SE Asia Sdn. Bhd. CIMA owns CIMA Australasia Limited, which is registered in Australia and is limited by guarantee.

**Non-UK operations**

CIMA operates in a number of countries outside the United Kingdom. The non-UK operations, which have been consolidated on a line by line basis, are: Australia, Bangladesh, China, Dubai, Hong Kong, India, Ireland, Malaysia, Pakistan, Singapore, South Africa and Sri Lanka. Activities in these countries relate to membership activities.

### b CIMA charitable trusts

Each of the following trusts either have CIMA as trustee or CIMA appoints the trustees:

**Benevolent Fund**

The fund was created for the relief of necessitous persons who are or have been members of CIMA, or any predecessor body.

At 31 December 2013, the net assets of the fund stood at £2,076k (2012: £1,904k), and £1k due from CIMA (2012: £4k).

**Anthony Howitt Lecture Trust**

A trust deed was established in 1984 by Anthony Howitt to finance biennial lectures. At 31 December 2013, the net assets of the trust stood at £450k (2012: £343k), of which investments at market value were £406k (2012: £311k), and it owed £1k to CIMA (2012: £2k).

c **Joint ventures**

On 1 January 2012, CIMA formed a joint venture with the American Institute of Certified Public Accountants (AICPA), called the Association of International Certified Professional Accountants. On 31 January 2012, the joint venture launched a designation, Chartered Global Management Accountant (CGMA), which is available to all CIMA members and AICPA members working in business. The strategic aim of the joint venture is to elevate the profession of management accounting, by establishing CGMA as the most valued globally recognised management accounting designation.

The joint venture is a Verein registered in Switzerland. There are five members of the Verein: three are subsidiaries of the AICPA, two, CIMA Enterprises Limited and Global Management Accountants in Business Limited, are subsidiaries of CIMA and part of the CIMA group; through this ownership structure the CIMA group owns 40% of the joint venture. The joint venture is governed by a Board of Management, comprised of four persons designated by CIMA, and four by the AICPA.

In 2013, the joint venture incurred a loss of USD155k due to the cost of registration and protection of the CGMA designation in a number of countries. In 2013, the CIMA group invested USD184k (£115k) through CIMA Enterprises Limited and USD184k (£115k) through Global Management Accountants in Business Limited. The joint venture has recovered some of these costs through insurance income, however the accumulated losses will continue to exceed the CIMA group's investment and as such the investment has been fully impaired.

## 13 SEGMENTED INFORMATION

The CIMA group comprises three separate reportable business segments, encompassing CIMA, CEL, and the charitable trusts. CIMA's activities relate to membership, and the activities that support membership, including examinations and the joint venture; until June 2013, CEL undertook the commercial activities, such as courses available to members and non-members; the charitable trusts undertake charitable activities, as defined in Note 12. 56% of group income is generated in the UK, 44% is non-UK.

| | CIMA | | CEL | | Charitable trusts | | CIMA group | |
|---|---|---|---|---|---|---|---|---|
| | 2013 £000 | 2012 Restated £000 | 2013 £000 | 2012 £000 | 2013 £000 | 2012 £000 | 2013 £000 | 2012 Restated £000 |
| Revenue | 54,353 | 49,557 | 528 | 1,345 | – | – | 54,881 | 50,902 |
| Charitable income | – | – | – | – | 117 | 108 | 117 | 108 |
| **Segment surplus/(deficit)** | **2,475** | **654** | **(9)** | **447** | **15** | **113** | **2,481** | **1,214** |
| Operating surplus | | | | | | | 2,481 | 1,214 |
| Taxation | | | | | | | – | – |
| **Net surplus** | | | | | | | **2,481** | **1,214** |
| Non current assets | 6,921 | 7,260 | – | – | 2,362 | 2,102 | 9,283 | 9,362 |
| Current assets | 28,650 | 23,841 | 164 | 2,062 | 163 | 145 | 28,977 | 26,048 |
| Liabilities | (28,218) | (24,048) | – | (861) | – | – | (28,218) | (24,909) |
| **Net assets** | **7,353** | **7,053** | **164** | **1,201** | **2,525** | **2,247** | **10,042** | **10,501** |

## 14 DERIVATIVES

CIMA took out foreign exchange contracts in 2013 to mitigate against potential losses on some grant expenditure to be paid out to non-UK offices in 2014, but had no contracts in place at the end of 2012. CIMA continues to review currency requirements and exchange risk on an ongoing basis.

The actual loss on derivatives recognised under financial income and expense in the Consolidated statement of comprehensive income is £192k (2012: £nil).

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Value of derivatives at deal rate | (5,051) | – |
| Value of derivatives at year end spot rate | 4,891 | – |
| Interest rate differential | (32) | – |
| **Loss** | **(192)** | **–** |

Gains and losses on derivatives are calculated after adjusting for the interest rate differential, which represents the premium (or discount) set by traders on the exchange rate between two currencies.

## MEETINGS ATTENDED BY MEMBERS OF CIMA'S COUNCIL AND EXECUTIVE COMMITTEE

January to December 2013

| Name | Electoral Constituency | Council | Executive |
|---|---|---|---|
| Adams P J # | 11 | 1/1 | |
| Agate M | 11 | 5/5 | |
| Anton G nc # | co | 0/1 | |
| Ash P + | 11 | 4/4 | |
| Babber G L ipp | | 5/5 | 6/6 |
| Bainbridge Spring A P | 1 | 5/5 | |
| Baird J H pp # | | 1/1 | 2/2 |
| Barnes D | 4 | 4/5 | 6/6 |
| Beedham R | 6 | 5/5 | |
| Bellis-Jones R | 1 | 3/5 | |
| Benton S nc + | co | 2/4 | |
| Boffey A | 6 | 5/5 | |
| Bragg K + | 3 | 4/5 | |
| Callander J D | 7 | 5/5 | |
| Chan K K C # | 15 | 5/5 | 2/2 |
| Chrupek J # | co | 1/1 | |
| Clackworthy S | 12 | 5/5 | |
| Clutterham R M | 1 | 5/5 | |
| Davison N + | 5 | 4/4 | |
| Eow K H + | 16 | 4/4 | |
| Fitzgerald L + | co | 4/4 | |
| Furber M L p | | 5/5 | 6/6 |
| Green J | 4 | 4/5 | |
| Hassall T # | 5 | 1/1 | |
| Hill M E | 12 | 5/5 | |
| Hoof S M | 4 | 4/5 | |
| Hurst S | co | 3/5 | |
| Jackson N | co | 5/5 | |
| Jayasinghe N # | 14 | 1/1 | |
| Kanaka M + | 14 | 3/4 | |
| Karkaria P | co | 4/5 | |
| Lee Y Chong # | 16 | 1/1 | |
| Lewis M J # | co | 1/1 | |
| Luck K F dp | co | 4/5 | 4/6 |
| Mack D | co | 4/5 | |
| McCue S | 8 | 5/5 | 6/6 |
| Madden M vp | | 5/5 | 5/6 |
| Makepeace G | 3 | 4/5 | |
| Marshall S + | co | 4/4 | |
| Melancon B nc # | co | 3/5 | 1/1 |
| Miskin A | co | 4/5 | 6/6 |
| Morrison J nc | co | 1/5 | |
| Newbury K | 6 | 4/5 | |
| Ng Seow Kong | co | 2/5 | |
| O'Connor T | 9 | 5/5 | 6/6 |
| Panditharatne C | 19 | 4/5 | |
| Parker H | 17 | 4/5 | |
| Parsons S B | 2 | 5/5 | 4/4 |
| Ratnayake A + | 18 | 4/4 | |
| Richardson E M | 2 | 5/5 | |
| Robertson I | co | 4/5 | |
| Rowlands W F # | 12 | 1/1 | |
| Sharp R | 11 | 5/5 | |
| Stahlin P nc | co | 5/5 | 5/5 |
| Stanford D | 6 | 5/5 | 6/6 |
| Stapleford S | 3 | 5/5 | |
| Swientozielskyj S | co | 5/5 | 3/4 |
| Tarr D | 10 | 4/5 | |
| Taylor A | 7 | 5/5 | |
| Taylor L + | 12 | 4/4 | |
| Theagarajah R + | co | 3/4 | |
| Tidd R | 3 | 5/5 | |
| Wayment S | 11 | 4/5 | |
| Weston J D | 5 | 5/5 | |
| Whitehead H | 5 | 5/5 | |
| Wickramasinghe H M S # | 18 | 1/1 | |
| Wilson R I | 2 | 5/5 | |

## CIMA ELECTORAL CONSTITUENCY

| | |
|---|---|
| 1 | Central London and North Thames |
| 2 | South West England and South Wales |
| 3 | East Midlands and East Anglia |
| 4 | West Midlands |
| 5 | North East England |
| 6 | North West England and North Wales |
| 7 | Scotland |
| 8 | Northern Ireland |
| 9 | Republic of Ireland |
| 10 | East, West Central and Southern Africa |
| 11 | Central Southern England |
| 12 | South East England |
| 14 | South Asia |
| 15 | North Asia |
| 16 | South East Asia |
| 17 | Europe, North Africa and Middle East |
| 18 | The Americas |
| 19 | Australasia |

## KEY

| | |
|---|---|
| * | Non-Council Member |
| p | President |
| dp | Deputy President |
| vp | Vice President |
| pp | Past President |
| ipp | Immediate Past President |
| co | Co-opted |
| nc | Non-CIMA Member |
| s | Staff |
| + | Appointment effective from AGM 2013 |
| # | Left Council or Executive Committee at AGM 2013 |

## HONORARY OFFICERS

| | |
|---|---|
| President | Malcolm Furber |
| Deputy President | Keith Luck |
| Vice President | Myriam Madden |
| Immediate Past President | Gulzari Lal Babber |

## CIMA'S GOVERNANCE COMMITTEES

### Executive Committee

| | |
|---|---|
| Chairman | Malcolm Furber p |
| | Keith Luck dp |
| | Myriam Madden vp |
| | Gulzari Lal Babber ipp |
| | Derek Barnes |
| | Sharon McCue |
| | Andrew Miskin |
| | Tom O'Connor |
| | Sue Parsons |
| | Paul Stahlin nc |
| | David Stanford |
| | Steve Swientozielskyj |
| | Charles Tilley * |
| Secretary | Gail Stirling s |

### Appointments Committee

| | |
|---|---|
| Chairman | Gulzari Lal Babber ipp |
| | Harold Baird * pp |
| | Malcolm Furber p |
| | Keith Luck dp |
| | Myriam Madden vp |
| | Dave Mack |
| | Karen Newbury |
| | Elaine Richardson |
| Secretary | Maggie Heasman s |

### Audit and Risk Process Committee

| | |
|---|---|
| Chairman | Rod Hill * pp |
| Vice Chairman | Gordon Grant * pp |
| | Jason Boxer * |
| | Ian Kleinman * |
| | Mark Lewis * |
| | Howard Whitehead |
| Secretary | Maggie Heasman s |

## CIMA'S POLICY COMMITTEES

### Global Markets Committee

| | |
|---|---|
| Chairman | Derek Barnes |
| Vice Chairman | Amal Ratnayake |
| | Alixe Bainbridge Spring |
| | Nic Davison |
| | Simon Hurst |
| | Philie Karkaria |
| | Yasmin Mohd Ramzi * |
| | Ian Robertson |
| | Louise Taylor |
| | Mahes Wickramasinghe * |
| Secretary | John Windle s |

### Technical Committee

| | |
|---|---|
| Chairman | David Stanford |
| Vice Chairman | Robin Bellis-Jones |
| | Charles Batchelor nc |
| | Kevin Bragg |
| | Stuart Chaplin * |
| | Michael Eow |
| | Hugh Evans * |
| | Bina Kakad * |
| | Graeme Makepeace |
| | Chandana Panditharatne |
| | Sue Stapleford |
| | Dr Noel Tagoe s |
| Secretary | Gillian Lees s |

### Professional Standards Committee

| | |
|---|---|
| Chairman | Tom O'Connor |
| Vice Chairman | Nick Jackson |
| | Bob Beedham |
| | Kenneth Chan |
| | Anna Corry * |
| | Peter Fullam * |
| | Tracey Groves * |
| | Craig Jenkins * |
| Secretary | Gail Stirling s |
| | Alistair Taylor |
| | Debbie Tarr |
| | Stuart Wayment |

### Lifelong Learning Committee

| | |
|---|---|
| Chairman | Sharon McCue |
| Vice Chairman | Sue Hoof |
| | Patrick Barr * |
| | Jim Callander |
| | Prof Lin Fitzgerald |
| | John Green |
| | Prof Trevor Hassall * |
| | Melanie Kanaka |
| | Elaine Richardson |
| | Elena Shishina nc |
| | Tim Stewart * |
| Secretary | Dr Noel Tagoe s |

### Members' Services Committee

| | |
|---|---|
| Chairman | Andrew Miskin |
| Vice Chairman | Marcus Hill |
| | Mike Agate |
| | Paul Ash |
| | Tony Boffey |
| | Katarzyna Ciezkowska * |
| | Rachel Cook * |
| Secretary | Emma Cunis s |
| | Maryvonne Palanduz * |
| | Hilary Parker |
| | John Weston |
| | Robert I Wilson (Bob) |

## SENIOR MANAGEMENT TEAM

| | |
|---|---|
| Chief executive | Charles Tilley s |
| Managing director | Andrew Harding s |
| Chief financial and operating officer | John Windle s |
| Executive director education | Dr Noel Tagoe s |
| Executive director marketing | Penny McLoughlin s |
| Executive director governance and professional standards | Gail Stirling s |
| Executive director global corporate relations | Emma Cunis s |

## OTHER COMMITTEES, BOARDS AND TRUSTS

### Benevolent Fund Committee

| | |
|---|---|
| Chairman | Robert I Wilson (Bob) |
| Vice Chairman | Robin Clutterham |
| | Frank Guilfoyle * |
| | Sue Hoof |
| | Andrew Oxley * |
| | John Weston |
| Secretary | Caroline Aldred s |

### General Charitable Trust

| | |
|---|---|
| Chairman | Glynn Lowth * pp |
| Vice Chairman | Vacancy |
| | Bob Beedham |
| | Ivan Court * |
| | Paul Thackray * |
| | Francesca Windsor * |
| Secretary | John Windle s |

### Association of International Certified Professional Accountants

| | |
|---|---|
| Chairman | Paul Stahlin nc |
| Deputy Chair | Gulzari Lal Babber ipp |
| | Greg Anton nc |
| | Malcolm Furber p |
| | Mark Lewis |
| | Barry Melancon nc |
| | Jim Morrison nc |
| | Charles Tilley s |

### CIMA Enterprises Limited (CEL)

| | |
|---|---|
| Director and Chief executive | Charles Tilley s |
| Director | Andrew Harding s |
| Director | CIMA (Corporate Body) |
| Company secretary | Maggie Heasman s |

### Anthony Howitt Lecture Trust

| | |
|---|---|
| Chairman | Malcolm Furber p |
| Deputy Chair | Keith Luck dp |
| | Myriam Madden vp |
| | Gulzari Lal Babber ipp |

### Global Management Accountants in Business Limited

| | |
|---|---|
| Director | CIMA (Corporate Body) |
| Director | Andrew Harding s |
| Company secretary | Maggie Heasman s |

## INDEPENDENTLY APPOINTED CONDUCT PANELS

### Investigation Panel

| | |
|---|---|
| Chairman | David Higham nc |
| Vice Chairman | Neville Nagler nc |
| | John Anderson nc |
| | Keith Brims * |
| | John Cottam * |
| | Chris Matthews-Maxwell nc |
| | Collette Neville nc |
| | Diana Reid nc |
| | David Robbins * |
| | Louise Scull * |
| | John Thornton * |
| | Hywel Tudor * |
| | Lesley Ward nc |
| Staff support | Joanna Low s |

### Disciplinary Panel

| | |
|---|---|
| Chairman | James Kellock nc |
| Vice Chairman | Stuart Hill nc |
| | Bryn Arnstice nc |
| | Sarah Baalham nc |
| | Geoffrey Baines nc |
| | Lynette Barlow * |
| | Caroline Byram nc |
| | Susan Gallone * |
| | Kevin Hammersley * |
| | Huw Jones * |
| | Michael Jordan * |
| | William Leyshon * |
| | Paul Pharaoh nc |
| | Iain Richardson * |
| | Martin Sambrook * |
| | Sarah Senior * |
| | Carolyn Tellow nc |
| Staff support | Joanna Low s |

### Appeal Panel

| | |
|---|---|
| Chairman | Karen Rea nc |
| Vice Chairman | Michael Reddy nc |
| | Peter Cadman nc |
| | Malcolm Cornberg * |
| | Daniel Farrow * |
| | Jules Hurry nc |
| | Paul Roberts * |
| | Judith Worthington nc |
| Staff support | Maggie Heasman s |

## CIMA REPRESENTATIVES ON EXTERNAL BOARDS AND COMMITTEES

| Board or committee | CIMA representative |
|---|---|
| **CCAB Ireland (CCABI)** | |
| | Louise Connaughton * |
| | Frank Nolan * |
| | Sean Molan * |
| | Denis McCarthy s |
| **International Federation of Accountants (IFAC)** | |
| CIMA Representative | |
| | Malcolm Furber p |
| **International Ethics Standards Board for Accountants (IESBA)** | |
| | Claire Ighodaro pp * |
| **Professional Accountants In Business Committee** | |
| | Hugh Evans * |
| **Professional Accountancy Body Development Committee** | |
| | Devika Mohotti * |
| **Council of the Association of Accounting Technicians (AAT)** | |
| 1st out of 3 years (3rd term) | Daphne Marler * |
| 3rd out of 3 years (2nd term) | Alixe Bainbridge Spring |
| 2nd out of 3 years (2nd term) | Reg Wood |
| **American Institute of Certified Public Accountants (AICPA)** | |
| | Gulzari Lal Babber ipp |

| Board or committee | CIMA representative |
|---|---|
| **Fédération des Experts Comptables Européens (FEE)** | |
| **General Assembly** | |
| | Malcolm Furber p |
| | Charles Tilley s |
| **Accounting Working Party** | |
| | Charles Batchelor * |
| | Nick Topazio * |
| **Auditing: Internal Control Sub Group** | |
| | James Duckworth * |
| **Company Law and Corporate Governance Working Party** | |
| | Gillian Lees s |
| **Financial Reporting Policy Group** | |
| | Charles Batchelor * |
| | Nick Topazio s |
| **SME/SMP Working Party** | |
| | Nick Topazio s |
| **Small and Medium Practices Committee** | |
| | Ray Baxter * |

## OTHER SENIOR APPOINTMENTS HELD BY CIMA MEMBERS/REPRESENTATIVES

| | |
|---|---|
| **UK FRC Reporting Lab Steering Group** | |
| | Charles Tilley s |
| **HM Revenue and Customs Joint VAT Consultative Committee** | |
| | Richard Sharp |
| **International Integrated Reporting Committee** | |
| | Charles Tilley s |
| **Prince of Wales Accounting for Sustainability Project** | |
| | Charles Tilley s |
| **The Economics of Ecosystems & Biodiversity for Business Coalition Advisory Group (TEEB)** | |
| | Charles Tilley s |
| **PwC Building Trust Awards Judging Panel** | |
| | Charles Tilley (Chairman) s |
| **Consultative Committee of Professional Management Organisations (CCPMO)** | |
| | Charles Tilley s |

| | |
|---|---|
| **University courts** | |
| University of Bath | Derek Barnes |
| University of Lancaster | David Stanford |
| Loughborough University | Glynn Lowth * pp |
| University of Surrey | Mike Agate |
| University of Cranfield | Mike Jeans * pp |
| University of Stirling Conference | Jim Callander |
| University of Cardiff | Robert I Wilson (Bob) |
| University of Hull | John Weston |
| City University, London | Keith Luck dp |

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