

Performance review 2016

Summary

- CIMA generated an operating deficit of £4.4m in 2016, excluding charitable trusts – £1.9m deficit in 2015:
- CIMA planned a deficit of £3.4m in the year, based upon investment in projects. The fall in the strength of sterling during the year relative to budget increased the consolidated costs of non-UK operations by £0.6m; whilst income grew by 5%, a small operating deficit was generated from normal operations during a year of considerable change.

Income

- One of CIMA's strategic key performance indicators is total income. In 2016, this was £56.7m – 5% higher than the previous year. However the 2016 total fell £1.9m short of our target, primarily due to slower growth of exam income than expected, and because our commercial income did not meet our ambitious targets.
- Member and student subscriptions increased to £35.0m, up 1%. This reflected a 3% increase in the member population and was despite a dip in student population for a second year.
- Examinations and exemptions income increased by 8%, to £13.4m. In 2015, income had declined following the introduction of the new exam platform for the professional

syllabus. As confidence in the new assessment platform continues, there is greater student activity and income growth.

- In 2017, we are planning for income to increase by 3%, to £58.3m.

Expenditure

- Direct expenditure is allocated against CIMA's value chain, linked to outputs generated. Indirect expenditure is allocated to the value chain equally across each component.
- All expenditure increased by 9%, to £61.0m, including £3.4m for investment projects.
 - Members of CIMA and the AICPA voted in favour of creating the Association of International Certified Professional Accountants. Expenditure supporting that activity was £3.1m.
 - The remainder of investment project spend concerned the Global Management Accounting Principles, primarily through development of the CGMA Compass, a diagnostic tool which assesses the financial health of an organisation in relation to the Global Management Accounting Principles.

Acquire

CIMA gained 33,604 new students, the second highest student recruitment year for CIMA on record, 12% higher than 2015.

Four markets increased the number of new students recruited compared to the number recruited in 2015:

- Sri Lanka – 979 more new students recruited (acquisition up 33%)
- China – 304 more new students recruited (acquisition up 16%)
- India – 2,504 more new students recruited (acquisition up 245%)
- Indonesia – 667 more new students recruited (acquisition up 224%)

Two markets suffered falls in new students recruited compared with the numbers recruited in 2015:

- Pakistan – 407 fewer new students recruited (acquisition fell 37%)
- South Africa – 429 fewer new students recruited (acquisition fell 13%)

The Chief Financial Officer accelerated-entry programme in China generated significant revenues. A new Senior Executive fast-track programme was added to China's portfolio. Other markets are also starting to venture into accelerated-entry programmes for senior finance officers.

Investment in acquire activities increased by 2%, to £11.9m, 19% of total expenditure. The majority of acquire investment is delivered by markets that engage with stakeholders, primarily through business development, attendance at careers events, direct marketing, account management with employers, and other networking.

In 2017, CIMA, as part of the Association, will maximise the value of our qualification. We will increase new student numbers to 36,000, continuing to focus on high-growth potential areas. The Association will launch direct access to CGMA in the US, for which considerable investment and resource are being made.

Deepen

Enabling students to achieve examination success is behind growing the membership. CIMA admitted 4,958 new members, above our target by 14%, compared to the 2015 achievement over budget of 3%. We target at least 4,750 new members in 2017, as our upturn in examination success continues to gather pace.

Deepen investment increased by 9%, to £14.4m. The most significant proportion of expenditure was to support student learning and progression. Our assessment platform, managed by Pearson VUE, delivered almost 108,000 exams.

Taking students through exams is a core part of CIMA and the Association's business model. We continue to invest in data analytical capability to continually improve our understanding of student behaviour in a rapidly changing learning and technology environment, enabling us to provide more personalised studying.

We target 115,000 assessments in 2017, refreshing our syllabus and competency framework, to ensure we are the most relevant management accounting qualification.

Exam pass-rates remain strong, exceeding targets. CIMA employs considerable resources to support students through exams. We launched "CIMA Aptitude 2", new practice questions, in response to student feedback. Improvements were also made to CIMAconnect – more personalisation and interactive resources.

The revised Certificate in Business Accounting was launched in 2016 – with first exams in January 2017. The syllabus has been updated, following extensive global research with industry leaders and educators. It can be a standalone qualification, as well as an entry route into the CIMA professional qualification.

Retain

CIMA has 106,095 members, 3% up on 2015; 99% of members were retained.

Investment in members increased to £12.4m, 10% up on 2015, and we continue to help them thrive in their careers. One third of our investment in retention provides those member benefits received as part of the annual subscription. *Financial Management* magazine continued to go from strength to strength, with special editions highlighting particular issues in business. CIMA's website was re-launched to improve member experience.

The 2017 focus will be on developing global products benefitting from the combined resources of our new Association.

Fulfil

We measure fulfil success through member and student surveys. Member satisfaction increased to 79%, up five points from 2015. Members recognise the value CIMA brings to their careers and future prospects; the products we offer to support them; and two-way communication. The member net promoter score dropped a point from last year to 38%, largely on value for money and recognition internationally.

Student satisfaction and net promoter scores have increased by 7% and 3% from 2015. Students value the professional status and global recognition CIMA brings them; syllabus content relevant for their careers; good customer support; and query resolution and relevant career updates.

Investment in fulfil increased by 14% to £7.7m. Expenditure focused on CIMA's advocacy agenda; promoting the GMAP, leading to 412 new GMAP "pioneers"; engaging with stakeholders; and focusing on improving how we operate.

Development of the CGMA Compass, a diagnostic tool based on the GMAP, was completed, and is ready for market.

Oracle Financials Cloud replaced our existing financial and planning systems in July 2016. Using Oracle allows CIMA to create an efficient

finance function and facilitate insight on the performance of the management accounting unit part of the Association.

Engaging with members and employees on the joint venture was a key activity. With the overwhelming vote in support of the Association, attention turned to creating it, and is continuing.

Reputation and research

CIMA's reputation and research activity helped create demand for management accountants, and enhanced the profile of our students and members globally.

Investment in reputation and research increased by 13%, to £14.6m, in two main areas:

- Profile-raising including stakeholder events, promotions, relationship-building and PR. We launched the CGMA 100 Think Tank in China, associating CIMA with top regional finance companies.
- We continued to develop and promote a world-class academic and applied research programme, providing reports and tools to benefit members and stakeholders. In 2016, we produced 15 thought-leadership reports and tools, resulting in more than 700,000 views and downloads.

Summary income statement

	£000	2016 £000	£000	2015 £000
Income		56,660		54,161
Acquire	(11,851)		(11,611)	
Deepen	(14,428)		(13,334)	
Retain	(12,440)		(11,356)	
Fulfil	(7,702)		(6,756)	
Reputation and research	(14,607)		(12,959)	
Value chain expenditure		(61,028)		(56,016)
Operating deficit		(4,368)		(1,855)
Charities		65		(28)
Taxation		61		7
Deficit for the year		(4,242)		(1,876)

Balance sheet and reserves

The UK experienced continued volatility in both investment valuations and currency devaluation during 2016. The decline in bond yields was particularly relevant to the valuation of pension scheme liabilities, and the decline in sterling to the translational consolidation valuation of international trading activities.

Although CIMA planned a deficit from investment in strategic projects, this would not have caused a deficit in funds. When combined with the above, the accumulated funds and reserves moved to a deficit of £5m.

CIMA's business model is strong, with a growing and long-term membership population generating a long-term income stream. The combined resources of the Association will provide a stronger platform for the management accounting strategy. It is projected that the deficit in funds will continue into 2018, before moving back into positive territory as our contributions reduce the pension deficit and future growth builds reserves back. Cash balances remained consistent with 2015, providing the ongoing strength for the balance sheet.

Pension scheme

CIMA operates a defined benefit pension scheme, which has been closed to future accrual since 2012. Due to the general economic conditions, the deficit increased by £7.4m, as a result of the discount rate assumption decreasing from 3.75% in 2015 to 2.65% on 31 December 2016. This increased the present value of future pension liabilities by 25%.

The current deficit-recovery plan is in place to 2023, although this was set against a deficit of £11.4m in 2015. The next scheduled valuation and formal reassessment of the deficit-recovery plan is April 2018. Both the employer and scheme trustees work to manage liability exposure and to optimise the risk and return balance for asset management.

Summary balance sheet

	2016 £000	2015 £000
Fixed and intangible assets	12,829	11,906
Investments	5,621	7,712
Debtors	4,664	4,696
Cash and cash equivalents	14,096	12,815
Total assets	37,210	37,129
Funds	(4,774)	6,904
Current liabilities (excluding subs and fees received in advance)	9,535	5,281
Subscriptions and fees received in advance	13,029	12,969
Pension scheme deficit	18,885	11,439
Other long term liabilities	535	536
Total funds and liabilities	37,210	37,129