



Chartered  
Institute of  
Arbitrators

**CI Arb**

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TRUSTEES' ANNUAL REPORT AND  
CONSOLIDATED ACCOUNTS  
For the year ended 31st December 2010

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# THE CHARTERED INSTITUTE OF ARBITRATORS

Principal and Registered Office: 12 Bloomsbury Square, London WC1A 2LP

## Trustees' Annual Report For the year ended 31st December 2010

### Trustees

The Trustees under the Royal Charter are:

#### *United Kingdom Region*

Dr Francis Peter Fenn, BSc, PhD, FRICS, FCI Arb (England) (*Honorary Treasurer from 18th October 2010*) (b)  
Paul Jensen, FRICS, FCI Arb, Barrister (non-practising), Chartered Arbitrator, (England) (*Retired 31st December 2010*)  
Niall Patrick Lawless, CEng, FCI OB, FCI BSE, FIMechE, FBCS, FCI Arb, FRSA, Chartered Arbitrator, (England)  
Bruce Richard Kettle, FRICS, MAE, MCI Arb (England) (*Elected 1st January 2011*)  
Richard Hamilton Morris, Dip Arb, FCI Arb, MACostE, MAPM, ACIOB, (England) (*Resigned 14th May 2010*)  
David Harold Simper, LLB(Hons), FRICS, FCI Arb, MAE, Chartered Arbitrator, (England) (b)  
Michael Allen Stephens, BA(Hons), Barrister, FCI Arb (England) (*Elected 1st January 2011*)  
Christopher John Wright, MA(Cantab), FCI Arb, (England) (*Elected 1st January 2011*) (*Chairman from 1st January 2011*)

#### *Africa Region*

Norman Mururu, BA, LLB(Hons), FIQSK, FAAK, FCI Arb, Chartered Arbitrator, (Kenya) (*Retired 31st December 2010*)  
Chief Christopher Ojo, LLB(Hons), LLM(London), FCI Arb (Nigeria) (*Elected 1st January 2011*)

#### *Americas Region*

Steven Andrew Certilman, BA, JD, FCI Arb, Chartered Arbitrator, (USA) (*Chairman until 31st December 2010*)

#### *Australasia Region*

Malcolm Fraser Holmes, BA, LLB (Sydney), BCL (Oxon), QC, FCI Arb, Barrister, Chartered Arbitrator, (Australia)

#### *East Asia Region*

Colin John Wall, BSc(Hons), FRICS, FHKIS, FCI Arb, MACostE, MAE, QDR, RPS(QS), HKIAC & CI Arb General Accredited Mediator, Chartered Arbitrator, (Hong Kong) (*Re-elected 1st January 2011*)

#### *Europe Region*

Roy Sherlock, BSc(Hons), MRICS, ASCS, DAL, DIAL, FCInstCES, FCI Arb, Chartered Arbitrator, (Ireland) (*Honorary Treasurer until 18th October 2010*)

#### *Middle East/Indian Sub-continent Region*

Nayla Comair-Obeid, FCI Arb, (Lebanon) (*Re-elected 1st January 2011*)

### Officers and Senior Managers of the Institute

President for 2010  
Deputy President and President for 2011  
Chairman of Board of Management

Joe Behan, BE, CEng, MIEI, DipLS, FCI Arb (a, b, c, d, e, f)  
Douglas Samuel Jones, AM, BA, LLM, FI ArbA, RFD, FCI Arb  
Robert Mark Entwistle, FCI Arb, Chartered Arbitrator  
(Until 14th May 2010)  
Richard Hamilton Morris, Dip Arb, FCI Arb, MACostE, MAPM, ACIOB  
(Appointed 14th May 2010) (a, b, c, d, e, f)  
Michael Forbes Smith (b)  
Nicki Alvey  
Tony Marks  
Leslie Alekel (From 9th August 2010)  
Clare Hughes (From 1st April 2010)

Director General (*Chief Executive Officer*)  
Director of Membership and Marketing  
Director of Legal Services  
Director of Education and Academic Affairs  
Director of Administration and Finance

## Trustees' Annual Report – continued

### For the year ended 31st December 2010

#### Membership of Boards and Committees at 31st December 2010

- |   |  |
|---|--|
| (a) Non-Voting Member of Board of Trustees (ex officio) | (b) Member of Board of Management              |
| (c) Member of Education and Membership Committee        | (d) Member of Practice and Standards Committee |
| (e) Member of Examinations Board                        | (f) Member of Panels Management Group          |

Banker	HSBC Bank plc 31 Holborn London EC1N 2HR	
Solicitors	Mayer Brown International LLP 201 Bishopsgate London EC2M 3AF	Bircham Dyson Bell LLP 50 Broadway Westminster London SW1H 0BL
Auditor	Baker Tilly UK Audit LLP St Philips Point Temple Row Birmingham B2 5AF	
Investment Manager	Sarasin & Partners Juxon House 100 St Paul's Churchyard London EC4M 8BU	

#### Structure, Governance and Management

The Chartered Institute of Arbitrators is a registered charity, registration number 803725. It was formed in 1915, incorporated on 8th April 1923, and granted a Royal Charter on 6th February 1979. It became a charitable body on 19th July 1990. A new Royal Charter and Bye-laws was approved by members at an Extraordinary General Meeting on 28th October 2004 and became fully effective on 28th February 2005. It is managed by a Board of Trustees constituted and organised in accordance with the Royal Charter and Bye-laws and in accordance with Regulations approved by the Board of Trustees. Membership of the Board of Trustees is by regional elections to ensure global representation.

The Institute has 34 branches in the United Kingdom and throughout the world. A new branch was formed in South Africa at the end of 2010. Certain branches which cover a large geographic area have established local Chapters to provide a focal point for members who live a long distance away from the centre of the branch. Branches are controlled by elected Branch Committees. There were 33 Chapters at the end of 2010 compared with 29 at the end of 2009. Branch assets mainly consist of cash deposited with banks.

The Board of Trustees is directly elected by the members of the Institute and normally numbers not more than fourteen members of the Institute. It consists of six elected representatives from the members living in the United Kingdom and six elected representatives from the members living in each of the following regions of the world – Africa, Americas, Australasia, Europe (excluding the United Kingdom), East Asia and the Middle East/Indian sub-continent. Membership of the Board of Trustees is restricted to Fellows or Members of the Institute. The term of office of the Trustees is four years and no Trustee may serve for more than two successive terms. Half of the elected Trustees retire by rotation every two years but may offer themselves for re-election provided that they have not served as a Trustee for a continuous period in excess of eight years. Any Trustee who has served for eight consecutive years may not offer himself for re-election until at least two years have elapsed from the expiry of his last term of office. The President and the Chairman of the Board of Management are non-voting members of the Board of Trustees.

Elections to the Board of Trustees are managed by the Executive. Nominations are invited from all eligible members and are allocated to the regions shown above on the basis of the candidate's principal

## **Trustees' Annual Report – continued** *For the year ended 31st December 2010*

place of residence. If candidates validly nominated for each of the specified regions are not more in number than the number of vacancies, those nominated are deemed to be duly elected. If the candidates nominated for each of the specified regions are more in number than the vacancies, a postal election of all members within the region or regions will take place although before this occurs there is an opportunity for a candidate to withdraw if he so desires. All eligible persons seeking election to the Board are required to sign a declaration that, inter alia, if elected, they undertake to fulfil their responsibilities and duties as a Trustee in good faith, in accordance with the law, and within the requirements of the Royal Charter and Bye-laws and that they do not have any financial interests in conflict with those of the Chartered Institute except those, if any, that they will formally notify to the Board of Trustees.

The candidate or, in the United Kingdom region, the candidates with the highest number of votes is or are elected to the Board of Trustees. All new Trustees participate in an induction process to inform them of the operations of the Institute and their specific responsibilities as Trustees of a charitable body. New Trustees do not undergo any formal training as they are experienced business people.

The Board of Trustees met physically twice in 2010, in May and October. The Trustees were in regular contact with each other by telephone or electronic means throughout the year and decisions can be, and were, made electronically. The May meeting was held in the United Kingdom with the October meeting being held in Heidelberg, Germany.

All the powers and the strategic policies of the Institute are vested in the Board of Trustees and the management and control of all its affairs is exercised by it, except insofar as they are expressly required to be exercised by the members of the Institute in General Meeting or at a Congress, or if the Board of Trustees is of the opinion that any of its functions, duties and/or responsibilities could be more efficiently carried out by delegating it to the Board of Management and/or to other Committees and/or to Executive Officers of the Institute. It may delegate that function, duty and/or responsibility accordingly, provided that:

- (a) any such delegation is in accordance with the provisions of the Bye-laws, and
- (b) nothing shall be taken to permit the Board of Trustees to abrogate all its functions, duties and/or responsibilities or any of its trusts.

The individual Trustees are not entitled to receive any remuneration for the performance of any duties or services or for the provision of their services as Trustees, save only for the payment of expenses properly incurred.

The Board of Trustees has the power to make, amend or revoke such Regulations and rules as it considers necessary for the governance and the efficient management of the Institute, provided that any such Regulations or rules are consistent with the articles of the Charter and the Bye-laws.

The Board of Trustees has delegated certain powers, functions and duties to the Board of Management by means of Regulations. The principal matters delegated to the Board of Management are:

- (1) to oversee the day-to-day management of the Institute in accordance with the policies formulated and laid down by the Board of Trustees;
- (2) to ensure that the Institute's Executive, the Committees and the Branches of the Institute function efficiently in accordance with the said policies, provided that the Professional Conduct Committee shall be independent from and not be subject to the control of the Board of Management, which shall nevertheless ensure that this Committee is properly supported; and

## **Trustees' Annual Report – continued**

### *For the year ended 31st December 2010*

- (3) to formulate all necessary Regulations, rules, protocols and procedures for approval by the Board of Trustees and, once approved, to implement and enforce them.

The Board of Management normally meets not less than six times a year and at the present time its members consist of a Chairman appointed by the Board of Trustees, the Honorary Treasurer, one other trustee, the President, the Chairmen of the Practice and Standards and Education and Membership Committees, the Examinations Board and the Panels Management Group, two co-opted members representing mediator members and the Director General. The minutes of all Board of Management meetings are circulated to the Trustees and the Chairman of the Board of Management makes a verbal report at each physical Board of Trustees meeting.

The day-to-day management of the Institute is delegated to the Executive led by the Director General whose role is that of Chief Executive.

#### **Statement of Trustees' Responsibilities**

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 1993, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustees have overall responsibility for ensuring that the Institute has an appropriate system of controls, financial and otherwise which will provide reasonable assurance that:

- (i) the Institute is operating efficiently and effectively;
- (ii) its assets are safeguarded against unauthorised use or disposition;

## **Trustees' Annual Report – continued**

### *For the year ended 31st December 2010*

- (iii) proper records are maintained and the financial information used within the Institute is reliable;
- (iv) the Institute complies with relevant laws and regulations.

#### **Risk Management**

The risks to which the Institute is exposed are monitored on a regular basis by the Executive and the Board of Management, and appropriate action is taken to minimise any possible disruption to the effectiveness of the Institute's work. The principal risks are listed and, by means of a risk scoring system, the more important ones are identified and highlighted. Insurance cover, including sums insured, is reviewed annually with the Institute's insurance broker who advises on any major changes in policy coverage, or any new potential risks that need to be considered. The Board of Trustees normally reviews the risk monitoring process at least annually.

#### **Investments**

The Institute's investments are managed on a full discretionary basis by a third party firm of investment managers, Sarasin & Partners. The investment objective is to provide a real return over time by holding a balanced portfolio of assets. In order to facilitate access to the funds invested and to minimise management costs as well as spreading the investment risk, the portfolio consists of units in the Sarasin & Partners Common Investment Fund. In 2010 it increased in value by 15.2%. The FTSE All Share Index increased by 10.9% in the year. The investment objective of the Fund is to achieve levels of income in excess of that available from the FTSE All Share Index and long term capital and income growth.

#### **Objectives and Activities of the Institute**

The principal object for which the Institute is established and incorporated is to promote and facilitate worldwide the determination of disputes by arbitration and alternative means of private dispute resolution other than resolution by the court. The main beneficiaries of the work carried out by the Institute are its members and the general public, both in the United Kingdom and elsewhere in the world. The Trustees have had due regard to the public benefit guidance published by the Charity Commission.

The achievement of promotional activities is often not ascertainable in financial terms but only by means of press coverage and publicity engendered. However where it is possible to measure outcomes in financial terms, this is carried out and reviewed by the Board of Management. In the normal course of events, budgets are set and the outcome is compared with them.

The following are considered to be key objectives, the attainment of which will assist in satisfying the principal object of the Institute:

- (a) affording means of communication between members of the Institute and others concerned with arbitration and alternative means of dispute resolution both domestically and internationally;
- (b) arranging courses of training and periodical meetings for the reading of papers and the discussion of matters in connection with arbitration and alternative means of dispute resolution;
- (c) maintaining an Information Resource Centre including a library and providing suitable facilities for the holding of arbitrations, adjudications, mediations, lectures and meetings;
- (d) providing for the appointment of arbitrators, adjudicators and mediators;
- (e) promotion of the Institute as an international arbitration and alternative means of dispute resolution organisation.

## Trustees' Annual Report – continued

### *For the year ended 31st December 2010*

#### Achievements and Performance

As a registered charity, the Institute has to satisfy the public benefit requirements set out in the Charities Act 2006. It does so by providing dispute resolution opportunities to the public generally both in the United Kingdom and worldwide. This is achieved by the provision of affordable consumer dispute resolution schemes, by the training of dispute resolvers and by the general promotion of the benefits of international and domestic arbitration and alternative dispute resolution procedures such as mediation and adjudication as genuine alternatives to litigation in the courts. A brief resume of some of the activities undertaken by the Institute and its subsidiary companies during 2010, which indicate how the public benefit requirements are met, is set out below. The activities are listed under the relevant objective.

- (a) *affording means of communication between members of the Institute and others concerned with arbitration and alternative means of dispute resolution both domestically and internationally.*
- CIArb's website provides both members and non-members with up to date information on the work of the Institute. It contains a Members' Directory for those members who have requested to have their particulars published in it, a Branch Directory, the Royal Charter and Bye-laws, the Institute's Code of Professional and Ethical Conduct, Practice Guidelines, Law Reports and copies of articles in recent issues of the Journal.
  - 'Arbitration – The International Journal of Arbitration, Mediation and Dispute Management', the Journal of the Institute, continues to be one of the most respected arbitral publications worldwide.
  - CIArb's Newsletter 'The Resolver', was re-launched in 2010 as an industry leading magazine in a new size and format. It continues to provide members of the Institute with information on current issues facing the Institute and the profession.
  - A Members' Discussion Forum, on the Members' Section of the website, allows members to discuss matters of topical interest.
- (b) *arranging courses of training and periodical meetings for the reading of papers and the discussion of matters in connection with arbitration and alternative means of dispute resolution.*
- 94 courses were run in the United Kingdom and internationally, including Entry Courses and training seminars in Australia, Bahamas, Bahrain, Bermuda, China, Hong Kong, Indonesia, India, Ireland, Kenya, Lebanon, Malaysia, Mauritius, Nigeria, Singapore, United States of America, United Arab Emirates and Zambia.
  - Examinations at all levels took place at a large number of venues worldwide.
  - 2 Diploma in International Commercial Arbitration courses were held during the year in Oxford, England and in Penang, Malaysia.
  - 5 Peer Interview Evenings were held in London.
  - 2 Chartered Arbitrator interviews were held in London.
- (c) *maintaining an Information Resource Centre including a library and providing suitable facilities for the holding of arbitrations, adjudications, mediations, lectures and meetings.*
- The Institute's Resource Centre is located at the Maughan Library at King's College of the University of London to which all members have access.

## **Trustees' Annual Report – continued**

### *For the year ended 31st December 2010*

- The Institute's facilities for holding arbitrations, mediations, meetings and lectures at its property in Bloomsbury Square remain very popular. The business is operated by 12 Bloomsbury Square Limited, CI Arb's wholly owned subsidiary.
  - The Institute continues to be committed to developing its use of the Internet to communicate more effectively with its members.
- (d) *providing for the appointment of arbitrators, adjudicators and mediators.*
- 3,439 arbitral and adjudication applications were received during 2010 in connection with the schemes administered by the Institute compared with 4,659 in 2009.
  - 22 ad hoc appointments were made in 2010 compared with 35 in 2009.
  - 1 new consumer arbitration scheme was started in 2010. At the end of the year, there were a total of 125 administered schemes.
  - 36 adjudicator appointments were made in 2010 under the Housing Grants, Construction and Regeneration Act 1996 compared with 82 in 2009.
  - 105 mediator appointments were made during 2010 compared with 139 in 2009 under Court and other mediation schemes.
  - 13 appointments were made in the year in administered commercial schemes.
- (e) *promotion of the Institute as an international arbitration and alternative means of dispute resolution organisation.*
- The President has promoted CI Arb worldwide during the year, visiting countries including Austria, Brazil, Bahamas, France, Germany, Hong Kong, China, Japan, Kenya, Nigeria, Ireland, Lebanon, Mauritius, Azerbaijan, Bahrain, Dubai, United Kingdom and United States of America.
  - The President attended several conferences during the year, among them the LMAA 50th Anniversary Conference in London, the ICCA Conference in Rio and the European Branch Autumn Conference with DIS in Frankfurt.
  - The Institute exhibited at a number of major conferences throughout the year including the International Council of Commercial Arbitrators (ICCA) Congress in Rio de Janeiro, the International Bar Association's Annual Conference in Vancouver and their Arbitration Day in London, the London Maritime Arbitration Association's 50th anniversary conference, the Civil Mediation Council annual conference in London and the ICC's Latin America conference in Miami. The North America Branch lead the activity at the American Bar Association's Dispute Resolution conference in San Francisco, CPR's annual conference in New York, the Institute for Transnational Arbitration (ITA) summer meeting in Dallas, Texas, and the European Branch joined forces with DIS, the German arbitral institute, for their Autumn conference which was held in Frankfurt.
  - The Institute was again a sponsor of the Willem C Vis International Commercial Arbitration Moot in Vienna, the Willem C Vis (East) Moot in Hong Kong and the ICC Mediation Moot in Paris.
  - The Director General visited France, Germany, India, Singapore, Australia, Ireland, Brazil and the USA to promote the Institute.

## Trustees' Annual Report – continued

### For the year ended 31st December 2010

- The President and the Director General visited many branches and chapters during the year, including Western Counties, Caribbean, East Anglia, Mauritius, India, European, Bahamas Chapter, Singapore, Australia, Brisbane Chapter, Southern California Chapter, North America Branch, Nigeria, Kenya, Lebanon, New York Chapter, Washington Chapter, East Midlands, West Midlands, Ireland, Beijing Group and the Tokyo Chapter.

#### Financial Review

##### *Review of transactions and financial position of the Institute*

During the year under review the net consolidated assets of the Institute increased by £83,877 to £4,571,990. This was the result of a surplus on the Institute's central operations of £95,642, a loss of £11,934 arising from branch operations, an increase in the value of the investment portfolio of £116,575, a loss from IDRS Limited of £223,047, a profit from 12 Bloomsbury Square Limited of £75,382 before gift aid payment of the same amount to the Institute and a net translation gain of £31,259 relating to the net assets of international branches.

The Institute has two wholly owned operating subsidiary companies, 12 Bloomsbury Square Limited and IDRS Limited. 12 Bloomsbury Square Limited was formed towards the end of 2009 to operate the Institute's room hire business at 12 Bloomsbury Square. This business was transferred into it with effect from 4th January 2010 and it had a successful first year of trading generating a surplus of £75,382 on a turnover of £597,317. The turnover of this business in 2009 while it was still part of the Institute's operations was £599,350. As 12 Bloomsbury Square Limited is a wholly owned subsidiary of a charity, it is paying all of its 2010 profits to the Institute by means of gift aid.

IDRS Limited continued to find trading conditions extremely difficult and incurred a loss in 2010 of £223,047. When added to the brought forward Profit and Loss Account deficit, this resulted in a cumulative deficit of £362,922 at 31st December 2010. In order to provide funds to finance these losses and to enable it to continue trading, the Trustees carefully considered and agreed towards the end of 2010 to invest in IDRS Limited by increasing the Share Capital of the company to £390,000 from £50,000. This was achieved by means of a debt for equity swap in December 2010 and consequently the net assets of IDRS Limited at 31st December 2010 were £27,078.

The consolidated surplus for the year after unrealised investment gains and the accumulated balance at 31st December 2010 are as shown below:

	<i>Consolidated Surplus year to 31st December 2010 £</i>	<i>Accumulated Funds as at 31st December 2010 £</i>
Unrestricted Funds		
General	<u>52,618</u>	<u>4,571,990</u>

The Group's principal sources of funding continue to be membership subscriptions, education and training activities, appointment and scheme administration fees and the hiring out of rooms for hearings and other meetings. These funds are used to support the achievement of its overall objectives.

In the consolidated Balance Sheet, tangible fixed assets decreased in the year from £4,437,708 to £4,389,615. This was due the depreciation charge for the year of £75,989 being greater than the additions (net of disposal) in the year of £27,896.

The market value of investments increased from £766,070 to £882,645 as a result of the continued recovery in worldwide Stock Markets from the falls of 2008. The Institute continued throughout 2010

## **Trustees' Annual Report – continued** *For the year ended 31st December 2010*

with the management of its investments being carried out by a professional investment management company, Sarasin & Partners, on a discretionary basis.

Net current assets decreased in the year from £749,647 to £603,774. This was mainly due to an increase in current liabilities of £149,030 and a decrease in debtors of £177,802 and a decrease in stock and work in progress of £7,074 offset by an increase in net cash resources of £213,768.

The Institute borrowed £2.3 million in 2001 to assist in the acquisition of its headquarters building. These borrowings are repayable over 20 years and are secured on the freehold of the building. The balance outstanding at 31st December 2010 is £1,457,519, of which £153,475 is repayable within one year.

The result for 2010 was satisfactory in difficult trading conditions. Membership subscription income held up well in a year in which many members continued to suffer from the fallout from the global economic situation. The Room Hire business, which was transferred into 12 Bloomsbury Square Limited with effect from 4th January 2010, had another good year, and Education and Training did better than budget. IDRS Limited was not immune from the recessionary situation and recorded a significant loss. The continued recovery of world stock markets in the year allowed the market value of the investment portfolio to increase by £116,575. Other business areas performed in line with expectations. The overall surplus of £52,618 is after crediting the unrealised gain in the investment portfolio in the Consolidated Statement of Financial Activities.

### **Reserves policy**

The Institute's reserves policy is as follows:

#### **(a) Liquid Reserves**

The level of liquid reserves should be approximately 6 months' worth of regular expenditure.

#### **(b) Overall Reserves**

The level of overall reserves should be approximately 12 months' worth of regular expenditure.

Liquid Reserves are principally made up of the investment portfolio.

Overall Reserves are the total of the net assets disclosed in the Institute's Balance Sheet excluding the net assets of its branches and subsidiaries.

Regular expenditure consists of the normal day to day expenditure of the Institute and its operating subsidiaries. It excludes exceptional items such as costs relating to tribunals, international conferences and other matters which do not recur annually.

The current level of Liquid and Overall Reserves will need to be increased in order to comply with this policy.

### **Plans for Future Periods**

The Board of Trustees in their October 2010 meeting agreed on a prioritisation of specific Critical Success Factors for the achievement of the Institute Strategy 2010-14 under all four priority headings: shaping dispute resolution through policy, consultation and learned contribution; equipping the profession for today and tomorrow; uniting a global dispute resolution community; and delivering excellence to the membership and stakeholders. It is expected for 2011 that the membership, education and training, events and other activities of the Institute will at least maintain the membership growth and financial outturn achieved in 2010. "12 Bloomsbury Square Ltd", the room hire business, is expected

## **Trustees' Annual Report – continued**

### *For the year ended 31st December 2010*

to show modest growth in 2011. IDRS Ltd will be taking steps to improve upon their disappointing results for 2010.

The focus for supporting our membership, education and events activities will be to continue to develop The Resolver and the Institute's website, improving our membership data capture, and expanding our market and sector intelligence, for better targeting.

#### **Assets and Obligations**

The net assets of the Institute are available and adequate to fulfil the obligations of the Institute.

#### **Funds held as Custodian**

The Institute holds funds from time to time on behalf of arbitrators and others as security for their fees and costs. These funds originate from the parties involved in the arbitration and are kept by the Institute in separate bank accounts and are not mixed with its own funds.

#### **Re-appointment of the Auditor**

A resolution proposing the re-appointment of Baker Tilly UK Audit LLP as auditor to the Institute will be put to the Trustees.

Signed on behalf of the Trustees: J Wright  
(Trustee)

P Fenn  
(Trustee)

Approved by the Trustees on: 6 April 2011

## **Independent Auditor's Report to the Trustees of the Chartered Institute of Arbitrators**

We have audited the financial statements of The Chartered Institute of Arbitrators for the year ended 31st December 2010 on pages 13 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Institute's Trustees as a body, in accordance with the Charities Act 1993. Our audit work has been undertaken so that we might state to the Institute's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Institute and the Institute's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Trustees and Auditors**

As explained more fully in the Statement of Trustees' Responsibilities set out on pages 4 and 5, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the Institute's affairs as at 31st December 2010 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993.

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

We have nothing to report in respect of the following matters where the Charities Act 1993 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is not consistent with the financial statements;  
or

**Independent Auditor's Report to the Trustees  
of the Chartered Institute of Arbitrators – continued**

- the parent charity has not kept sufficient accounting records; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

BAKER TILLY UK AUDIT LLP  
Statutory Auditor  
Chartered Accountants  
St Philips Point  
Temple Row  
Birmingham B2 5AF

12 April 2011

## Consolidated Statement of Financial Activities

For the year ended 31st December 2010

	Notes	Unrestricted General Funds 2010 £	Unrestricted General Funds 2009 £
<b>INCOMING RESOURCES</b>			
<b>Incoming resources from generated funds</b>			
Investment income	3	11,761	6,846
<b>Incoming resources from charitable activities</b>			
Membership subscriptions and other income	4	2,899,960	2,807,492
Appointment and scheme administration fees	4	1,176,251	1,787,194
Education and training activities		1,309,284	1,468,007
Room hire income		597,317	599,350
<b>Total Incoming Resources</b>		<u>£5,994,573</u>	<u>£6,668,889</u>
<b>RESOURCES EXPENDED</b>			
<b>Charitable activities</b>			
Membership activities	5	2,650,324	2,381,066
Scheme administration and other expenses		1,403,670	1,710,879
Education and training expenses		1,131,310	1,241,013
Room hire expenses		431,435	546,643
<b>Governance costs</b>	6	263,361	150,089
<b>Other resources expended</b>	7	178,430	199,277
<b>Total Resources Expended</b>		<u>£6,058,530</u>	<u>£6,228,967</u>
<b>Net (Outgoing)/Incoming Resources</b>		<u>£(63,957)</u>	<u>£439,922</u>
Gains on investment assets	14	116,575	130,560
<b>Net movement in funds</b>		<u>£52,618</u>	<u>£570,482</u>

**Consolidated Statement of Financial Activities**  
*For the year ended 31st December 2010*

		<i>Unrestricted General Funds</i>	<i>Unrestricted General Funds</i>
	<i>Notes</i>	<i>2010</i>	<i>2009</i>
		<i>£</i>	<i>£</i>
<b>Net movement in funds</b>		£52,618	£570,482
<b>Fund Balances brought forward at 1st January 2010</b>		4,488,113	3,995,661
<b>Net translation gains/(losses) relating to net assets of international branches</b>	21	<u>31,259</u>	<u>(78,030)</u>
<b>Fund Balances carried forward at 31st December 2010</b>	19	<u>£4,571,990</u>	<u>£4,488,113</u>

None of the Group's activities were acquired or discontinued during the above two financial years.

The Notes on pages 19 to 31 form part of these financial statements.

The Statement of Financial Activities incorporates the Statement of Total Recognised Gains and Losses required by Financial Reporting Standard No 3 (FRS3)

**Consolidated Balance Sheet**  
*As at 31st December 2010*

	Note	2010		2009	
		£	£	£	£
<b>Fixed Assets</b>					
Tangible Assets	13		4,389,615		4,437,708
Investments	14		882,645		766,070
			<u>5,272,260</u>		<u>5,203,778</u>
<b>Current Assets</b>					
Stocks and work in progress	1(c)(d)&15	8,529		15,603	
Debtors	16	508,037		685,839	
Cash at bank and in hand		1,559,477		1,299,773	
		<u>2,076,043</u>		<u>2,001,215</u>	
<b>Liabilities: Amounts falling due within one year</b>	17	<u>(1,472,269)</u>		<u>(1,251,568)</u>	
<b>Net Current Assets</b>			<u>603,774</u>		<u>749,647</u>
<b>Total Assets less Current Liabilities</b>			<u>5,876,034</u>		<u>5,953,425</u>
<b>Liabilities: Amounts falling due after more than one year</b>	18		<u>(1,304,044)</u>		<u>(1,465,312)</u>
<b>Net Assets</b>			<u><u>£4,571,990</u></u>		<u><u>£4,488,113</u></u>
<b>Represented by:</b>					
<b>Unrestricted Funds:</b>	19				
General: Head Office		3,531,632		3,286,621	
England and Wales branches		132,066		139,943	
Scotland and international branches		1,271,214		1,201,424	
			<u>4,934,912</u>		<u>4,627,988</u>
Retained earnings/(deficit) – IDRS Limited			(362,922)		(139,875)
– 12 Bloomsbury Square Limited			–		–
			<u><u>£4,571,990</u></u>		<u><u>£4,488,113</u></u>

Approved by the Board of Trustees and authorised for issue on 6 April 2011 and signed on its behalf:

J Wright  
(Trustee)

P Fenn  
(Trustee)

Michael Forbes Smith  
(Director General)

The Notes on pages 19 to 31 form part of these financial statements.

**Parent Undertaking Balance Sheet**  
*As at 31st December 2010*

	Note	2010		2009	
		£	£	£	£
<b>Fixed Assets</b>					
Tangible Assets	13		4,362,589		4,400,283
Investments	14				
Managed		882,645		766,070	
Subsidiary undertakings		28,078		92,832	
		<u>          </u>	910,723	<u>          </u>	858,902
			<u>5,273,312</u>		<u>5,259,185</u>
<b>Current Assets</b>					
Stocks and work in progress	1(c)(d)&15	8,529		8,568	
Debtors	16	441,590		493,699	
Cash at bank and in hand		1,443,561		1,214,285	
		<u>1,893,680</u>		<u>1,716,552</u>	
<b>Liabilities: Amounts falling due within one year</b>	17	<u>(1,290,958)</u>		<u>(1,022,312)</u>	
<b>Net Current Assets</b>			602,722		694,240
<b>Total Assets less Current Liabilities</b>			5,876,034		5,953,425
<b>Liabilities: Amounts falling due after more than one year</b>	18		<u>(1,304,044)</u>		<u>(1,465,312)</u>
<b>Net Assets</b>			<u>£4,571,990</u>		<u>£4,488,113</u>
<b>Represented by:</b>					
<b>Unrestricted Funds:</b>					
General: Head Office		3,168,710		3,146,746	
England and Wales branches		132,066		139,943	
Scotland and international branches		<u>1,271,214</u>		<u>1,201,424</u>	
			4,571,990		4,488,113
			<u>£4,571,990</u>		<u>£4,488,113</u>

Approved by the Board of Trustees and authorised for issue on 6 April 2011 and signed on its behalf:

J Wright  
(Trustee)

P Fenn  
(Trustee)

Michael Forbes Smith  
(Director General)

The Notes on pages 19 to 31 form part of these financial statements.

**Consolidated Cashflow Statement**  
*For the year ended 31st December 2010*

	2010 £	2009 £
<b>Net Cash Inflow from Operating Activities</b>	<u>393,761</u>	<u>548,233</u>
<b>Returns on Investment and Servicing of Finance</b>		
Interest received	11,761	6,803
Interest paid	(59,584)	(62,327)
	<u>(47,823)</u>	<u>(55,524)</u>
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(27,896)	(15,212)
<b>Financing</b>		
Net (income) recorded in investment portfolio	–	(66)
Repayment of long-term loans	(135,533)	(130,413)
	<u>(135,533)</u>	<u>(130,479)</u>
<b>Increase in Cash in the year</b>	<u>£182,509</u>	<u>£347,018</u>

**Notes to the Cashflow Statement**

**Reconciliation of Changes in Resources to Net Cash Inflow/(Outflow) from Operating Activities**

	2010 £	2009 £
Net (outgoing)/incoming resources	(63,957)	439,922
Depreciation	75,989	91,100
Interest received	(11,761)	(6,803)
Interest paid	59,584	62,327
Decrease in Stocks and Work in Progress	7,074	15,208
Decrease in Debtors	177,802	78,241
Increase/(Decrease) in Creditors	149,030	(131,762)
	<u>393,761</u>	<u>548,233</u>

**Reconciliation of Net Cash Flow to Movements in Net Funds**

Increase in cash in the year (including unrealised exchange gain/(loss) on international assets)	213,768	268,988
Repayment of long-term loans	135,533	130,413
	<u>349,301</u>	<u>399,401</u>
Movement in net funds in the year		
Net debt at 31st December 2009	(306,937)	(706,338)
	<u>£42,364</u>	<u>£(306,937)</u>

**Consolidated Cashflow Statement – continued**  
*For the year ended 31st December 2010*

Analysis of Net funds

	<i>31 December</i> 2009	<i>Cashflow</i>	<i>Unrealised exchange gain on international assets</i>	<i>31 December</i> 2010
	£	£	£	£
Cash at bank and in hand	1,299,773	228,445	31,259	1,559,477
Bank overdraft	(13,658)	(45,936)	–	(59,594)
	<u>1,286,115</u>	<u>182,509</u>	<u>31,259</u>	<u>1,499,883</u>
Bank loans	(1,593,052)	135,533	–	(1,457,519)
	<u>£(306,937)</u>	<u>£318,042</u>	<u>£31,259</u>	<u>£42,364</u>

The Notes on pages 19 to 31 form part of these financial statements

## Notes to the Accounts

### *For the year ended 31st December 2010*

#### 1. Accounting Policies

##### (a) Basis of Accounting

The consolidated accounts incorporate the accounts of the Institute and its subsidiaries made up to 31st December 2010. The result is consolidated on a line-by-line basis. The consolidated accounts are prepared under the historical cost convention as modified by the revaluation of fixed asset investments and in accordance with approved Accounting Standards and the Statement of Recommended Practice – Accounting and Reporting by Charities, as revised in 2005.

A separate Statement of Financial Activities is not presented for the Institute itself following the exemptions afforded by paragraph 397 of SORP 2005. For the year ended 31st December 2010, the gross income of the Institute was £4,301,253, its total resources expended were £4,365,210, its gains on investment assets were £116,575 and its net movement in funds was a surplus of £52,618. The Institute has taken advantage of the exemption available in Financial Reporting Standard Number 8 not to disclose transactions with wholly owned members of the group.

##### (b) Tangible Fixed Assets and Depreciation

Tangible fixed assets costing more than £500 are capitalised at cost.

Depreciation is calculated to write off the cost, less estimated residual values, of tangible fixed assets over their estimated useful lives. The annual depreciation rates and methods are as follows:

Freehold Land and Buildings	– Nil
Improvements to Leasehold Premises	– Over the remaining period of the lease
Furniture and Equipment	– 10% per annum on cost
Computer and Electronic Equipment	– 33 1/3% per annum on cost

No depreciation is charged on Freehold Buildings as any such charge would be immaterial. Annual impairment reviews are conducted in accordance with FRS 11.

##### (c) Stock and Goods for Resale

Stock and Goods for Resale are valued at the lower of cost and net realisable value.

##### (d) Work in Progress

Work in Progress represents work carried out on the administration of arbitrations for which awards have not been made by the Balance Sheet date.

##### (e) Leases

All leases are regarded as operating leases and the total payments made under them are charged to the Statement of Financial Activities on a straight line basis over the lease term.

##### (f) Branches

The activities and funds of branches established by the Institute are regarded as those of the Institute itself and are consolidated in the Accounts.

The funds of all branches are intended for use locally.

## Notes to the Accounts – continued

### *For the year ended 31st December 2010*

#### 1. Accounting Policies – (continued)

##### (g) Foreign Currency Funds and Transactions

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Financial Activities.

Assets, liabilities, and results of overseas branches are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

##### (h) Subscriptions, Fees and Services

Subscriptions, fees and services are included in the Accounts on the basis of amounts receivable.

##### (i) Recognition of Income

Membership subscription income for the current year is recognised when received. Subscription income received in advance relating to subsequent years is deferred.

Income from administered dispute resolution schemes for case work is normally recognised either in accordance with relevant scheme contractual specifications or on conclusion of the case, that is, when a decision is made by the appointed dispute resolver or an outcome is agreed between the parties. Income from fees paid as retainers and similar arrangements is recognised on an accruals basis.

Education and training income relating to courses is recognised when the course has been held. Room hire and all other income is recognised when invoiced.

##### (j) Investments

Investments are included in the Balance Sheet at market value at the Balance Sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals throughout the year.

##### (k) Investments in Subsidiary Undertakings

Investments in subsidiaries are stated at cost less any impairment if events or changes in circumstances indicate that the carrying amount may not be fully recoverable or as otherwise required by relevant accounting standards. Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities. The net asset values of the operating subsidiaries are disclosed in note 14.

##### (l) Allocation of Costs

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Costs that are directly attributable are allocated on a departmental basis and support costs added. Head Office staff costs are apportioned to departments on an actual basis and accommodation costs according to assessed work area. Other Head Office costs are apportioned to departments on a reasonable and consistent basis.

**Notes to the Accounts – continued**  
*For the year ended 31st December 2010*

**1. Accounting Policies – (continued)**

**(m) Pensions**

The Institute operates a Defined Contribution Pension Scheme. Pension contributions are charged to the Statement of Financial Activities so as to spread the cost of the pensions over the employees' working lives with the Institute. These contributions are invested separately from the Institute's assets.

**(n) Governance Costs**

Governance costs comprise those costs incurred in the governance of the Institute and are primarily associated with constitutional and statutory requirements.

**2. Charitable Status**

The Institute is registered as a charity, registration number 803725, and in consequence it is exempt from taxation on income arising from and expended on its charitable activities.

**3. Investment Income**

	2010 £	2009 £
<b>Investment Income</b>		
Dividends and other income	–	66
Bank interest received	11,761	6,780
	<u>£11,761</u>	<u>£6,846</u>

**4. Incoming resources from charitable activities**

Membership subscriptions and other income:

	2010 £	2009 £
Membership subscriptions	2,564,628	2,509,035
Entry fees	81,590	70,518
Other	253,742	227,939
	<u>£2,899,960</u>	<u>£2,807,492</u>

Appointment and scheme administration fees include:

	2010 £	2009 £
Dispute resolvers fees received	288,176	545,291
Administration and sundry fees	888,075	1,241,903
	<u>£1,176,251</u>	<u>£1,787,194</u>

**Notes to the Accounts – continued**  
*For the year ended 31st December 2010*

**5. Charitable activities**

	<i>Direct Costs</i>	<i>Support Costs</i>	<i>Total 2010</i>	<i>Total 2009</i>
	£	£	£	£
Membership activities	1,135,513	1,514,811	2,650,324	2,381,066
Scheme administration and other expenses	288,196	1,115,474	1,403,670	1,710,879
Education and training expenses	747,313	383,997	1,131,310	1,241,013
Room hire expenses	72,738	358,697	431,435	546,643
	<u>£2,243,760</u>	<u>£3,372,979</u>	<u>£5,616,739</u>	<u>£5,879,601</u>

<b>Support costs</b>	<i>Staff costs</i>	<i>Accommo- dation costs</i>	<i>Depreciation</i>	<i>Miscellan- eous</i>	<i>Total</i>
	£	£	£	£	£
Membership activities	1,156,293	105,400	16,521	236,597	1,514,811
Scheme administration and other expenses	826,421	58,829	14,899	215,325	1,115,474
Education and training expenses	281,640	22,509	3,528	76,320	383,997
Room hire expenses	107,351	196,436	30,788	24,122	358,697
Total 2010	<u>£2,371,705</u>	<u>£383,174</u>	<u>£65,736</u>	<u>£552,364</u>	<u>£3,372,979</u>
Total 2009	<u>£2,242,334</u>	<u>£409,267</u>	<u>£72,308</u>	<u>£576,406</u>	<u>£3,300,315</u>

**Allocation of costs**

Staff costs are allocated to activities based on the actual cost, including on-costs, of the staff working in each activity. Accommodation costs and Depreciation are allocated on the basis of the area occupied by each activity and Miscellaneous costs on the basis of the numbers of staff employed in each activity. Support costs are allocated on a basis which reflects the use made by the activity of each support cost centre.

**6. Governance Costs**

	<i>2010</i>	<i>2009</i>
	£	£
Trustees and other meetings	227,632	116,366
Auditor's fees – Audit	27,847	25,723
– Other financial services	7,882	8,000
	<u>£263,361</u>	<u>£150,089</u>

**Notes to the Accounts – continued**  
*For the year ended 31st December 2010*

**7. Other Resources Expended**

	2010	2009
	£	£
Angel Gate rent and other costs	177,952	198,414
Other expenses	478	863
	<u>£178,430</u>	<u>£199,277</u>

Occupation of the Angel Gate property was shared with IDRS Limited, a wholly owned subsidiary company, throughout 2010 and 2009.

**8. Staff Costs**

	2010	2009
	£	£
Wages and salaries	1,931,518	1,793,764
Employers national insurance	201,788	192,036
Pension costs	98,158	92,954
Other staff costs	140,241	163,580
Total employees' emoluments	<u>£2,371,705</u>	<u>£2,242,334</u>

The average number of employees by category during the year was:

	2010	2009
Membership services	12	12
Scheme administration	18	18
Education and Training	5	6
Room Hire	–	2
General administration	10	14
Total	<u>45</u>	<u>52</u>

The number of employees whose emoluments fell into the following bands was:

	2010	2009
	No.	No.
£60,000 to £69,999 per annum	1	–
£70,000 to £79,999 per annum	1	1
£80,000 to £89,999 per annum	–	1
£90,000 to £99,999 per annum	1	1
£120,000 to £129,999 per annum	1	1
	<u>4</u>	<u>4</u>

Pension payments in respect of these four employees (2009: four) in 2010 amounted to £20,565 (2009: £21,429).

**Notes to the Accounts – continued**  
*For the year ended 31st December 2010*

**9. Payments to Trustees**

Members of the Board of Trustees receive no remuneration for their work as Trustees or for other work they may carry out for the Institute. Trustees' expenses reimbursed during the year under review are as follows:

	2010	2009
	£	£
Travel	24,355	44,195
Hotel costs	2,072	1,975
Subsistence	642	267
	<u>£27,069</u>	<u>£46,437</u>
	No.	No.
Number of Trustees reimbursed in year	<u>12</u>	<u>11</u>

**10. Operating Leases**

During 2010 the Institute paid £236,672 (2009: £249,730) under two (2009: two) operating leases for properties, one of which is occupied by the Institute and the other is occupied by the Institute and IDRS Limited. There were also commitments under operating leases for office equipment totalling £42,442 per annum (2009: £52,838). At 31st December 2010 the Institute was committed to payments during the next year under non-cancellable operating leases as set out below:

	<i>Land and Buildings</i>		<i>Other</i>	
	2010	2009	2010	2009
	£	£	£	£
Leases expiring:				
In less than one year	–	–	–	–
Between one and five years	–	–	42,442	52,838
After five years	236,672	236,672	–	–
	<u>£236,672</u>	<u>£236,672</u>	<u>£42,442</u>	<u>£52,838</u>

Rental income receivable from sub-tenants in respect of these leases in 2010 is £Nil (2009 – £Nil).

**11. Pension Obligations**

The Institute and its subsidiary companies make contributions to employee defined contribution pension schemes. Contributions in the year amounted to £98,158 (2009: £92,954). At the year-end there were no prepaid contributions (2009: £Nil). The assets of the scheme are invested and managed independently of the finances of the Group.

**12. Indemnity Insurance**

The Institute paid a premium during the year of £3,780 (2009: £3,780) under a professional indemnity and trustee indemnity insurance policy to protect the Institute and its Trustees against loss arising from the neglect or default of its Trustees, agents or employees, arising in the course of the Institute's business.

**Notes to the Accounts – continued**  
*For the year ended 31st December 2010*

**13. Tangible Fixed Assets**

Group	Freehold Land	Improvements	Furniture	Computer	Total
	and Buildings	to Leasehold	and	and	
	£	Premises	Equipment	Electronic	£
		£	£	Equipment	
				£	
<b>Cost</b>					
At 1st January 2010	4,248,126	106,347	420,402	491,532	5,266,407
Additions	–	–	9,274	18,803	28,077
Disposal	–	–	(22,479)	–	(22,479)
At 31st December 2010	<u>4,248,126</u>	<u>106,347</u>	<u>407,197</u>	<u>510,335</u>	<u>5,272,005</u>
<b>Depreciation</b>					
At 1st January 2010	–	74,970	287,290	466,439	828,699
Charge for the year	–	12,938	40,334	22,717	75,989
Disposal	–	–	(22,298)	–	(22,298)
At 31st December 2010	<u>–</u>	<u>87,908</u>	<u>305,326</u>	<u>489,156</u>	<u>882,390</u>
<b>Net Book Value</b>					
At 31st December 2010	<u>£4,248,126</u>	<u>£18,439</u>	<u>£101,871</u>	<u>£21,179</u>	<u>£4,389,615</u>
At 31st December 2009	<u>£4,248,126</u>	<u>£31,377</u>	<u>£133,112</u>	<u>£25,093</u>	<u>£4,437,708</u>
<b>Parent Undertaking</b>					
	Freehold Land	Improvements	Furniture	Computer	Total
	and Buildings	to Leasehold	and	and	
	£	Premises	Equipment	Electronic	£
		£	£	Equipment	
				£	
<b>Cost</b>					
At 1st January 2010	4,248,126	106,347	372,892	421,714	5,149,079
Additions	–	–	8,919	14,657	23,576
Disposal	–	–	(22,479)	–	(22,479)
31st December 2010	<u>4,248,126</u>	<u>106,347</u>	<u>359,332</u>	<u>436,371</u>	<u>5,150,176</u>
<b>Depreciation</b>					
At 1st January 2010	–	74,970	266,764	407,062	748,796
Charge for the year	–	12,938	35,623	12,528	61,089
Disposal	–	–	(22,298)	–	(22,298)
At 31st December 2010	<u>–</u>	<u>87,908</u>	<u>280,089</u>	<u>419,590</u>	<u>787,587</u>
<b>Net Book Value</b>					
At 31st December 2010	<u>£4,248,126</u>	<u>£18,439</u>	<u>£79,243</u>	<u>£16,781</u>	<u>£4,362,589</u>
At 31st December 2009	<u>£4,248,126</u>	<u>£31,377</u>	<u>£106,128</u>	<u>£14,652</u>	<u>£4,400,283</u>

The Institute acquired the freehold of 12 Bloomsbury Square on 30th January 2001 and the leasehold interest on 14th February 2001 at a net cost of £4,195,000.

The Improvements to Leasehold Premises relate to 14 Bloomsbury Square and 24 Angel Gate.

## Notes to the Accounts – continued

### For the year ended 31st December 2010

#### 14. Fixed Asset Investments – Managed Funds

Group and Parent Undertaking	Total £
<b>Cost</b>	
At 1st January 2010	671,051
Additions	–
Disposals	–
At 31st December 2010	<u>£671,051</u>
<b>Market Value</b>	
At 1st January 2010	766,070
Additions	–
Disposals	–
Net income in year	–
Net investment gains – Realised	–
– Unrealised	116,575
At 31st December 2010	<u>£882,645</u>

The investments above are invested as follows:

	2010 £	2009 £
Sarasin & Partners Common Investment Fund	882,545	765,970
UK Government Bonds	100	100
	<u>£882,645</u>	<u>£766,070</u>

#### Parent Undertaking

##### Fixed Asset Investments – Subsidiary Undertakings

The Institute had four 100% owned subsidiary companies at 31st December 2010, Arbitration Services Limited, IDRS Limited, Independent Dispute Resolution Services Limited and 12 Bloomsbury Square Limited. Arbitration Services Limited, Independent Dispute Resolution Services Limited and 12 Bloomsbury Square Limited had aggregate share capital of £1,000 each at 31st December 2010 and at 31st December 2009. IDRS Limited had aggregate share capital of £390,000 at 31st December 2010 (2009: £50,000). The results of IDRS Limited and 12 Bloomsbury Square Limited are consolidated herein. The business of IDRS Limited is the provision of services for the avoidance, management and/or resolution of complaints and disputes and the business of 12 Bloomsbury Square Limited is the provision of meeting rooms for hire. Neither Arbitration Services Limited nor Independent Dispute Resolution Services Limited traded in either year and turnover and expenditure was consequently £Nil (2009: £Nil). All subsidiaries are incorporated in England and Wales.

**Notes to the Accounts – continued**  
*For the year ended 31st December 2010*

**14. Fixed Asset Investments – Managed Funds – (continued)**

**Investment in Subsidiary Undertakings**

**(a) IDRS Limited**

	£	£	£
	<i>Share Capital</i>	<i>Investment account</i>	<i>Total</i>
<b>Cost</b>			
Brought forward at 1st January 2010	50,000	182,707	232,707
Debt for share capital transfer	340,000	(182,707)	157,293
Repaid in year	–	–	–
Carried forward at 31st December 2010	<u>£390,000</u>	<u>£–</u>	<u>£390,000</u>
<b>Provision</b>			
Brought forward at 1st January 2010			£(139,875)
Provided in the year			(223,047)
Carried forward at 31st December 2010			<u>£(362,922)</u>
Net book amount at 31st December 2010			<u>£27,078</u>
Net book amount at 31st December 2009			<u>£92,832</u>

Financial information in respect of IDRS Limited for the year ended 31st December:

	2010	2009
Turnover	£1,154,069	£1,735,303
Total expenses	£1,377,116	£1,749,885
(Loss) for the year	£(223,047)	£(14,582)
Net assets/(liabilities) at 31st December	<u>£27,078</u>	<u>£(89,875)</u>

**(b) 12 Bloomsbury Square Limited**

Share Capital at 31 December 2010 and 2009 £1,000

Financial information in respect of 12 Bloomsbury Square Limited for the year ended 31st December:

	2010	2009
Turnover	£597,317	£–
Total expenses before Gift Aid	£521,935	£–
Gift Aid	£(75,382)	£–
Profit before interest and tax	£–	£–
Profit for the year	£–	£–
Net assets at 31st December	<u>£1,000</u>	<u>£1,000</u>

**Notes to the Accounts – continued**  
*For the year ended 31st December 2010*

**15. Stocks**

	<i>Parent Undertaking</i>		<i>Group</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Stock and goods for resale	8,529	8,568	8,529	8,568
Work in Progress	–	–	–	7,035
	<u>£8,529</u>	<u>£8,568</u>	<u>£8,529</u>	<u>£15,603</u>

**16. Debtors**

	<i>Parent Undertaking</i>		<i>Group</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Other debtors	44,811	127,648	271,506	345,224
Stakeholder accounts	13,913	13,899	17,073	17,416
Amount due from subsidiaries	183,487	55,554	–	–
Prepayments	164,868	231,050	184,947	257,651
Accrued income	34,511	65,548	34,511	65,548
	<u>£441,590</u>	<u>£493,699</u>	<u>£508,037</u>	<u>£685,839</u>

**17. Liabilities: Amounts falling due within one year**

	<i>Parent Undertaking</i>		<i>Group</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Bank overdraft	59,594	13,658	59,594	13,658
Bank loans	153,475	127,740	153,475	127,740
Subscriptions received in advance	218,351	113,470	218,351	113,470
Other creditors	362,507	166,955	452,114	224,416
Tax and Social Security costs	105,820	60,831	120,500	132,822
Stakeholder accounts	4,934	13,899	8,451	17,416
Accruals	232,988	410,556	365,527	425,266
Education and training income received in advance	94,257	115,203	94,257	196,780
	<u>£1,290,958</u>	<u>£1,022,312</u>	<u>£1,472,269</u>	<u>£1,251,568</u>

**Notes to the Accounts – continued**  
*For the year ended 31st December 2010*

**18. Liabilities: Amounts falling due after one year**

**Group and Parent Undertaking**

Two long term loans of equal value and each with a term of 20 years were taken out with HSBC Bank Plc in January 2001 to assist with the acquisition of the freehold of 12 Bloomsbury Square. The loans are secured on the freehold of 12 Bloomsbury Square.

	<i>Interest rate</i>	<i>Original amount of loans £</i>	<i>Balance of loans</i>	
			<i>2010 £</i>	<i>2009 £</i>
Fixed interest rate loan	6.0%	1,150,000	756,356	812,322
	(Fixed until 18 January 2011)			
Variable interest rate loan	1 ¼% over HSBC Bank base rate	1,150,000	701,163	780,730
		<u>£2,300,000</u>	<u>1,457,519</u>	<u>1,593,052</u>
Less: Amounts falling due within one year			<u>(153,475)</u>	<u>(127,740)</u>
			<u>£1,304,044</u>	<u>£1,465,312</u>

**19. Group Funds Summary**

	<i>2010 £</i>	<i>2009 £</i>
Group Funds balance	<u>£4,571,990</u>	<u>£4,488,113</u>
Fund Balances are represented by:	£	£
Tangible fixed assets	4,389,615	4,437,708
Fixed asset investments	882,645	766,070
Net current assets	603,774	749,647
Long term liabilities	<u>(1,304,044)</u>	<u>(1,465,312)</u>
Total Net Assets	<u>£4,571,990</u>	<u>£4,488,113</u>

Reconciliation of unrealised gains on investment assets included above:

	<i>2010 £</i>	<i>2009 £</i>
Unrealised gains at 1st January 2010	95,019	(35,541)
Net gains arising on revaluations in year	116,575	130,560
	<u>£211,594</u>	<u>£95,019</u>

**20. Capital Commitments and Contingent Liabilities**

	<i>2010</i>	<i>2009</i>
Authorised but not yet contracted	<u>£–</u>	<u>£–</u>

There is a cross guarantee of £64,994 (2009: £49,353) in favour of HM Revenue and Customs in respect of the Institute's membership of the Chartered Institute of Arbitrators VAT group.

**Notes to the Accounts – continued**  
*For the year ended 31st December 2010*

**21. Branch Results**

	<i>Grants from Central Funds</i>	<i>Income</i>	<i>Expenditure</i>
	£	£	£
<b>England and Wales</b>			
East Anglia	4,332	8,380	11,931
East Midlands	1,928	909	4,544
London	11,488	6,647	23,447
Northumbria	–	–	11,164
North East	3,532	5,727	7,565
North West	3,684	4,810	7,797
South East	5,092	65	1,298
Southern	2,204	3,928	4,251
Thames Valley	2,656	100	2,420
Wales	1,508	4	112
Western Counties	3,220	5,193	7,517
West Midlands	2,944	1,454	5,636
	<u>£42,588</u>	<u>£37,217</u>	<u>£87,682</u>

Grants from central funds are not included in the amounts shown as income.

	<i>Income</i>	<i>Expenditure</i>
	£	£
<b>Scotland and International</b>		
Australia	36,860	40,093
Bermuda	5,589	7,693
Channel Islands	1,052	1,615
Cyprus	11,168	26,136
East Asia	77,355	127,423
Egypt	7,000	6,000
Europe	27,076	24,373
India	2,039	1,853
Ireland	125,032	129,615
Kenya	104,458	69,919
Lebanon	4,764	8,698
Malaysia	73,721	62,809
Mauritius	20,594	15,656
Nigeria	221,678	231,405
North America	82,614	79,318
Scotland	44,980	50,717
Singapore	65,935	31,844
Thailand	6,848	3,866
UAE	201,325	162,524
	<u>£1,120,088</u>	<u>£1,081,557</u>

## Notes to the Accounts – continued

### For the year ended 31st December 2010

#### 21. Branch Results – (continued)

	2010 £	2009 £
<b>Branch Assets/(Liabilities):</b>		
Fixed assets	31,999	39,061
Cash at bank and in hand	1,413,742	1,188,590
Debtors	101,835	252,875
Accrued expenses	(144,296)	(139,159)
	<u>£1,403,280</u>	<u>£1,341,367</u>

Branch assets and liabilities have been consolidated within the main balance sheet headings. Cumulative unrealised exchange gains of £77,521(2009: £46,262) in respect of the branch assets and liabilities shown above have been taken to reserves.

Analysis of branch income and expenditure by category is as follows:

	<i>England &amp; Wales</i> £	<i>Scotland &amp; International</i> £	2010 Total £	2009 Total £
<b>Income</b>				
Subscriptions	–	221,627	221,627	247,271
Meetings and seminars	33,057	89,860	122,917	136,917
Income from courses	3,493	686,748	690,241	634,604
Scheme income	–	22,182	22,182	51,891
Bank interest receivable	68	11,224	11,292	6,102
Other income	599	88,447	89,046	52,200
	<u>£37,217</u>	<u>£1,120,088</u>	<u>£1,157,305</u>	<u>£1,128,985</u>
<b>Expenditure</b>				
Branch office and administration expenditure	22,237	395,543	417,780	377,430
Travel and transport	2,107	25,246	27,353	25,179
Branch meetings and ancillary costs	46,312	97,946	144,258	136,608
Courses expenses	3,513	464,459	467,972	343,726
Scheme expenses	–	16,239	16,239	37,871
Other expenses	13,513	82,124	95,637	114,058
	<u>£87,682</u>	<u>£1,081,557</u>	<u>£1,169,239</u>	<u>£1,034,872</u>
<b>Net Surplus/(Deficit)</b>	<u>£(50,465)</u>	<u>£38,531</u>	<u>£(11,934)</u>	<u>£94,113</u>





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