



Chartered
Institute of
Arbitrators

CI Arb

TRUSTEES' ANNUAL REPORT AND
CONSOLIDATED ACCOUNTS
For the year ended 31st December 2009

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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 2009

Trustees

The Trustees under the Royal Charter are:

United Kingdom Region

Dr Francis Peter Fenn, BSc, PhD, FRICS, FCIArb (England)
Paul Jensen, FRICS, FCIArb, Barrister (non-practising), Chartered Arbitrator, (England)
Toby Thomas Landau, MA, BCL(Oxon), LLM(Harvard), FCIArb, Chartered Arbitrator, (England) (*Resigned 15th May 2009*)
Niall Patrick Lawless, CEng, FCIOB, FCIABSE, FIMEchE, FBSC, FCIArb, FRSA, Chartered Arbitrator, (England)
Richard Hamilton Morris, DipArb, FCIArb, MACostE, MAPM, ACIOB, (England)
David Harold Simper, LLB(Hons), FRICS, FCIArb, MAE, Chartered Arbitrator, (England)
Christopher John Wright, MA(Cantab), FCIArb, (England) (*Appointed 19th November 2009*)

Africa Region

Norman Mururu, BA, LLB(Hons), FIQSK, FAAK, FCIArb, Chartered Arbitrator, (Kenya)

Americas Region

Steven Andrew Certilman, BA, JD, FCIArb, Chartered Arbitrator, (USA) (*b*) (*Chairman*)

Australasia Region

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

East Asia Region

Colin John Wall, BSc(Hons), FRICS, FHKIS, FCIArb, MACostE, MAE, QDR, RPS(QS), HKIAC & CIArb General Accredited Mediator, Chartered Arbitrator, (Hong Kong)

Europe Region

Roy Sherlock, BSc(Hons), MRICS, ASCS, DAL, DIAL, FCInstCES, FCIArb, Chartered Arbitrator, (Ireland) (*Honorary Treasurer*) (*b*)

Middle East/Indian Sub-continent Region

Nayla Comair-Obeid, FCIArb, (Lebanon) (*Appointed 27th April 2009*)

Officers and Senior Managers of the Institute

President for 2009

Deputy President and President for 2010

Chairman of Board of Management

John David Campbell QC, FCIArb, Chartered Arbitrator (*a, b, c, d, e, f*)

Joe Behan, BE, CEng, MIEI, DipPLS, FCIArb

Peter John Rees QC, FCIArb, Chartered Arbitrator (*a, b, c, d, e, f*)
(*Until 31st December 2009*)

Robert Mark Entwistle, FCIArb, Chartered Arbitrator

(*Appointed 1st January 2010*) (*a, b, c, d, e, f*)

Michael Forbes Smith (*b*)

Director General (*Chief Executive Officer*)

Director of Membership and Marketing

Director of Legal Services

Director of Research and Development

Director of Finance and Administration

Nicki Alvey

Tony Marks

Aaron Hudson-Tyreman

Malcom McMullan, FCA

Membership of Boards and Committees at 31st December 2009

(*a*) *Non-Voting Member of Board of Trustees (ex officio)*

(*c*) *Member of Education and Membership Committee*

(*e*) *Member of Examinations Board*

(*b*) *Member of Board of Management*

(*d*) *Member of Practice and Standards Committee*

(*f*) *Member of Panels Management Group*

Trustees' Annual Report – continued

For the year ended 31st December 2009

| | | |
|--------------------|---------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| 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 Chiswell 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 32 branches in the United Kingdom and throughout the world. 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 29 Chapters at the end of 2009 compared with 28 at the end of 2008. 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.

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 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

Trustees' Annual Report – continued *For the year ended 31st December 2009*

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 2009, in May and November. 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 November meeting being held in Washington DC, USA.

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
- (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 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, the Chairman of the Young Members Group and the Director General. The minutes of all

Trustees' Annual Report – continued *For the year ended 31st December 2009*

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 Annual Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Institute at the year end and of the surplus or deficit of the Institute for that period. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards and Statements of Recommended Practice 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 Institute will continue in operation.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Institute and to enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the Institute 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 corporate and financial information included on the Institute'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;
- (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

Trustees' Annual Report – continued

For the year ended 31st December 2009

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 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 Chiswell. 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 Chiswell Common Investment Fund. In 2009 it increased in value by 20.5%. The FTSE All Share Index increased by 25.0% 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.

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

Trustees' Annual Report – continued *For the year ended 31st December 2009*

activities undertaken by the Institute and its subsidiary company IDRS Limited during 2009, 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.*
- A new website was established in 2009 which 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.
 - The Institute's Newsletter, 'The Resolver', provides members of the Institute with information on current issues facing the Institute and the profession.
 - A Members' Discussion Forum is set up in the Members' Section of the website which 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.*
- 41 courses were run in the United Kingdom and 44 internationally, including Entry Courses and training seminars in Australia, Bahrain, Bermuda, China, Hong Kong, Indonesia, Ireland, Kenya, Lebanon, Malaysia, Nigeria, Singapore, United States of America, United Arab Emirates and Zambia.
 - Examinations at all levels took place at a large number of venues worldwide.
 - Diploma in International Commercial Arbitration courses were held during the year in Oxford, England and in Sydney, Australia.
 - 11 Peer Interview Evenings were held in London, Ireland, Singapore, Hong Kong, Australia and Dubai.
 - 3 Chartered Arbitrator and Mediation Panel 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 now part of the Maughan Library at King's College of the University of London to which all members have access.
 - The Institute's facilities for holding arbitrations, mediations, meetings and lectures at its property in Bloomsbury Square are becoming increasingly popular.
 - The Institute is committed to developing its use of the Internet to communicate more effectively with its members.

Trustees' Annual Report – continued *For the year ended 31st December 2009*

(d) *providing for the appointment of arbitrators, adjudicators and mediators.*

- 4,659 arbitral and adjudication applications were received during 2009 in connection with administered schemes compared with 5,348 in 2008.
- 35 ad hoc appointments were made in 2009 compared with 50 in 2008.
- 2 new consumer arbitration schemes were started in 2009. At the end of the year, there were a total of 125 administered schemes.
- 82 adjudicator appointments were made in 2009 under the Housing Grants, Construction and Regeneration Act 1996 compared with 68 in 2008.
- 139 mediator appointments were made during 2009 compared with 90 in 2008 under Court and other mediation schemes.
- 29 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 visited a number of countries during the year including Australia, Austria, Bermuda, France, Germany, Hong Kong, Ireland, Italy, Kenya, Lebanon, Mauritius, Singapore, Tunisia, United Arab Emirates, United Kingdom and United States of America.
- 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 President attended the IBA International Arbitration Day and the LCIA Symposium in Dubai, the European Branch Spring Conference in Milan and the Branch Autumn meeting in Tunis, the VIAC UNCITRAL Conference in Vienna, the 17th International Congress of Maritime Arbitrators, the Atlanta Seminar on International Commercial Arbitration and the International Conference on Construction Law and Arbitration in Mauritius.
- The Director General visited France, Germany, India, Mauritius, Tunisia and the USA to promote the Institute.
- In addition, the President and Director General have visited branches in the United Kingdom, Australia, Bermuda, East Asia, Europe, India, Ireland, Kenya, Lebanon, Singapore and North America during the year. They also visited some of the Chapters.

Financial Review

Review of transactions and financial position of the Institute

During the year under review the net assets of the Institute increased by £492,452 to £ 4,488,113. This was the result of a surplus on the Institute's central operations of £360,391, a surplus of £94,113 arising from branch operations, an increase in the value of the investment portfolio of £130,560, a loss from IDRS Limited of £14,582 and a net translation loss of £78,030 relating to the net assets of international branches.

Trustees' Annual Report – continued

For the year ended 31st December 2009

The consolidated surplus for the year after unrealised investment gains and the accumulated balance at 31st December 2009 are as shown below:

| | <i>Consolidated Surplus</i> <i>year to 31st December 2009</i> | <i>Accumulated Funds</i> <i>as at 31st December 2009</i> |
|--------------------|------------------------------------------------------------------|-------------------------------------------------------------|
| | £ | £ |
| Unrestricted Funds | | |
| General | <u>570,482</u> | <u>4,488,113</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 £4,513,596 to £4,437,708. This was due the depreciation charge for the year of £91,100 being greater than the additions in the year of £15,212.

The market value of investments increased from £635,444 to £766,070 as a result of a recovery in worldwide Stock Markets. The Institute continued throughout 2009 with the management of its investments being carried out through a professional investment management company, Sarasin Chiswell, on a discretionary basis.

Net current assets increased in the year from £482,346 to £749,647. This was mainly due to a decrease in current liabilities of £279,378 and an increase in net cash resources of £81,372 offset by a decrease in debtors of £78,241.

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 2009 is £1,593,052, of which £127,740 is repayable within one year.

The result for 2009 was satisfactory in difficult trading conditions. Membership subscription income held up well in a year in which many members must have suffered from the fallout from the global economic situation. The Institute's Room Hire business had another very good year and Education and Training also did well. IDRS Limited was not immune from the recessionary situation and recorded a small loss. The recovery of world stock markets in the year allowed the market value of the investment portfolio to increase by £130,560. Other business areas performed in line with expectations. The overall surplus of £570,482 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.

Trustees' Annual Report – continued *For the year ended 31st December 2009*

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 both Bloomsbury Square and IDRS Limited. 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

Membership activities, Education and Training and Room Hire, are expected to show modest growth in 2010. The Room Hire activity has been transferred to a separate wholly owned subsidiary company with effect from 1st January 2010 in order to maximise its profitability. It is hoped that IDRS Limited will return to profitability in 2010 with promising new business opportunities expected to come on stream during the year.

The Trustees approved the Strategic Plan for 2010 – 2015 during 2009 which established four corporate priorities – 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.

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:

S Certilman
(Trustee)

R Sherlock
(Trustee)

Approved by the Trustees on:

15th March, 2010

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 2009 on pages 12 to 29.

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

The Trustees' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

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 the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the information given in the Trustees' Annual Report is not consistent with those financial statements, if the Institute has not kept sufficient accounting records, if the Institute's financial statements are not in agreement with these accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and the Institute's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the group and the Institute as at 31st December 2009 and their incoming resources and application of resources in the year then ended and the financial statements have been prepared in accordance with the Charities Act 1993.

BAKERTILLY UK AUDIT LLP
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham B2 5AF
14th April 2010

Consolidated Statement of Financial Activities

For the year ended 31st December 2009

| | Notes | Unrestricted General Funds 2009 £ | Unrestricted General Funds 2008 £ |
|----------------------------------------------------------------------------------------|-------|--------------------------------------------|--------------------------------------------|
| INCOMING RESOURCES | | | |
| Incoming resources from generated funds | | | |
| Investment income | 3 | 6,846 | 30,615 |
| Incoming resources from charitable activities | | | |
| Membership subscriptions and other income | 4 | 2,807,492 | 2,805,222 |
| Appointment and scheme administration fees | 4 | 1,787,194 | 2,017,713 |
| Education and training activities | | 1,468,007 | 1,188,737 |
| Room hire income | | 599,350 | 511,339 |
| Total Incoming Resources | | <u>£6,668,889</u> | <u>£6,553,626</u> |
| RESOURCES EXPENDED | | | |
| Charitable activities | | | |
| Membership activities | 5 | 2,381,066 | 2,313,554 |
| Scheme administration and other expenses | | 1,710,879 | 1,842,271 |
| Education and training expenses | | 1,241,013 | 1,178,862 |
| Room hire expenses | | 546,643 | 516,399 |
| Governance costs | 6 | 150,089 | 225,601 |
| Other resources expended | 7 | 199,277 | 191,536 |
| Total Resources Expended | | <u>£6,228,967</u> | <u>£6,268,223</u> |
| Net Incoming Resources | | £439,922 | £285,403 |
| Gains/(Losses) on investment assets | 14 | 130,560 | (157,787) |
| Net movement in funds | | £570,482 | £127,616 |
| Fund Balances brought forward at 1st January 2009 | | 3,995,661 | 3,743,753 |
| Net translation (losses)/gains relating to net assets of international branches | 21 | (78,030) | 124,292 |
| Fund Balances carried forward at 31st December 2009 | 19 | <u>£4,488,113</u> | <u>£3,995,661</u> |

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

The Notes on pages 17 to 29 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 2009

| | Note | 2009 | | 2008 | |
|------------------------------------------------------------------|------------|--------------------|--------------------------|--------------------|--------------------------|
| | | £ | £ | £ | £ |
| Fixed Assets | | | | | |
| Tangible Assets | 13 | | 4,437,708 | | 4,513,596 |
| Investments | 14 | | 766,070 | | 635,444 |
| | | | <u>5,203,778</u> | | <u>5,149,040</u> |
| Current Assets | | | | | |
| Stocks and work in progress | 1(c)(d)&15 | 15,603 | | 30,811 | |
| Debtors | 16 | 685,839 | | 764,080 | |
| Cash at bank and in hand | | 1,299,773 | | 1,218,401 | |
| | | <u>2,001,215</u> | | <u>2,013,292</u> | |
| Liabilities: Amounts falling due within one year | 17 | <u>(1,251,568)</u> | | <u>(1,530,946)</u> | |
| Net Current Assets | | | <u>749,647</u> | | <u>482,346</u> |
| Total Assets less Current Liabilities | | | 5,953,425 | | 5,631,386 |
| Liabilities: Amounts falling due after more than one year | 18 | | <u>(1,465,312)</u> | | <u>(1,635,725)</u> |
| Net Assets | | | <u><u>£4,488,113</u></u> | | <u><u>£3,995,661</u></u> |
| Represented by: | | | | | |
| Unrestricted Funds: | 19 | | | | |
| General: Head Office | | 3,286,621 | | 2,840,654 | |
| England and Wales branches | | 139,943 | | 158,932 | |
| Scotland and international branches | | 1,201,424 | | 1,121,368 | |
| | | | <u>4,627,988</u> | | <u>4,120,954</u> |
| Retained earnings/(deficit) IDRS Limited | | | <u>(139,875)</u> | | <u>(125,293)</u> |
| | | | <u><u>£4,488,113</u></u> | | <u><u>£3,995,661</u></u> |

Approved by the Board of Trustees and authorised for issue on 15th March 2010 and signed on its behalf:

S Certilman
(Trustee)

R Sherlock
(Trustee)

Michael Forbes Smith
(Director General)

The Notes on pages 17 to 29 form part of these financial statements.

Parent Undertaking Balance Sheet
As at 31st December 2009

| | Note | 2009 | | 2008 | |
|------------------------------------------------------------------|------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
| | | £ | £ | £ | £ |
| Fixed Assets | | | | | |
| Tangible Assets | 13 | | 4,400,283 | | 4,455,833 |
| Investments | 14 | | | | |
| Managed | | 766,070 | | 635,444 | |
| Subsidiary undertakings | | 92,832 | | 107,414 | |
| | | <u> </u> | <u>858,902</u> | <u> </u> | <u>742,858</u> |
| | | | 5,259,185 | | 5,198,691 |
| Current Assets | | | | | |
| Stocks and work in progress | 1(c)(d)&15 | 8,568 | | 9,181 | |
| Debtors | 16 | 493,699 | | 433,126 | |
| Cash at bank and in hand | | 1,214,285 | | 1,138,416 | |
| | | <u> </u> | <u>1,716,552</u> | <u> </u> | <u>1,580,723</u> |
| Liabilities: Amounts falling due within one year | 17 | <u>(1,022,312)</u> | | <u>(1,148,028)</u> | |
| Net Current Assets | | | <u>694,240</u> | | <u>432,695</u> |
| Total Assets less Current Liabilities | | | <u>5,953,425</u> | | <u>5,631,386</u> |
| Liabilities: Amounts falling due after more than one year | 18 | | <u>(1,465,312)</u> | | <u>(1,635,725)</u> |
| Net Assets | | | <u><u>£4,488,113</u></u> | | <u><u>£3,995,661</u></u> |
| Represented by: | | | | | |
| Unrestricted Funds: | | | | | |
| General: Head Office | | 3,146,746 | | 2,715,361 | |
| England and Wales branches | | 139,943 | | 158,932 | |
| Scotland and international branches | | <u>1,201,424</u> | | <u>1,121,368</u> | |
| | | | <u>4,488,113</u> | | <u>3,995,661</u> |
| | | | <u><u>£4,488,113</u></u> | | <u><u>£3,995,661</u></u> |

Approved by the Board of Trustees and authorised for issue on 15th March 2010 and signed on its behalf:

S Certilman
(Trustee)

R Sherlock
(Trustee)

Michael Forbes Smith
(Director General)

The Notes on pages 17 to 29 form part of these financial statements.

Consolidated Cashflow Statement
For the year ended 31st December 2009

| | 2009 £ | 2008 £ |
|-------------------------------------------------------|------------------|------------------|
| Net Cash Inflow from Operating Activities | <u>548,233</u> | <u>640,389</u> |
| Returns on Investment and Servicing of Finance | | |
| Interest received | 6,803 | 30,615 |
| Interest paid | <u>(62,327)</u> | <u>(106,929)</u> |
| | <u>(55,524)</u> | <u>(76,314)</u> |
| Capital expenditure | | |
| Payments to acquire tangible fixed assets | <u>(15,212)</u> | <u>(83,301)</u> |
| Financing | | |
| Net (income) recorded in investment portfolio | (66) | (1,407) |
| Net transfer (to)/from investment portfolio | - | (300,000) |
| Repayment of long-term loans | <u>(130,413)</u> | <u>(85,810)</u> |
| | <u>(130,479)</u> | <u>(387,217)</u> |
| Increase in Cash in the year | <u>£347,018</u> | <u>£93,557</u> |

Notes to the Cashflow Statement

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

| | 2009 £ | 2008 £ |
|----------------------------------------------------|------------------|----------------|
| Net incoming resources | 439,922 | 285,403 |
| Depreciation | 91,100 | 105,855 |
| Interest received | (6,803) | (30,615) |
| Interest paid | 62,327 | 106,929 |
| Decrease/(Increase) in Stocks and Work in Progress | 15,208 | (2,974) |
| Decrease in Debtors | 78,241 | 17,444 |
| (Decrease)/Increase in Creditors | <u>(131,762)</u> | <u>158,347</u> |
| | <u>548,233</u> | <u>640,389</u> |

Reconciliation of Net Cash Flow to Movements in Net Funds

| | | |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|
| Increase in cash in the year (including unrealised exchange loss on international assets) | 268,988 | 217,849 |
| Repayment of long-term loans | <u>130,413</u> | <u>85,810</u> |
| Movement in net funds in the year | <u>399,401</u> | <u>303,659</u> |
| Net debt at 31st December 2008 | (706,338) | (1,009,997) |
| Net debt at 31st December 2009 | <u>£(306,937)</u> | <u>£(706,338)</u> |

Consolidated Cashflow Statement – continued
For the year ended 31st December 2009

Notes to the Cashflow Statement – continued

Analysis of Net Debt

| | <i>31 December</i> 2008 £ | <i>Cashflow</i> £ | <i>Unrealised exchange loss on international assets</i> £ | <i>31 December</i> 2009 £ |
|--------------------------|---------------------------------|----------------------|--------------------------------------------------------------------------|---------------------------------|
| Cash at bank and in hand | 1,218,401 | 159,402 | (78,030) | 1,299,773 |
| Bank overdraft | (201,274) | 187,616 | – | (13,658) |
| | <u>1,017,127</u> | <u>347,018</u> | <u>(78,030)</u> | <u>1,286,115</u> |
| Bank loans | (1,723,465) | 130,413 | – | (1,593,052) |
| | <u>£(706,338)</u> | <u>£477,431</u> | <u>£(78,030)</u> | <u>£(306,937)</u> |

The Notes on pages 17 to 29 form part of these financial statements.

Notes to the Accounts

For the year ended 31st December 2009

1. Accounting Policies

(a) Basis of Accounting

The consolidated accounts incorporate the accounts of the Institute and its subsidiaries made up to 31st December 2009. 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 2009, the gross income of the Institute was £5,000,327, its total resources expended were £4,638,435, its profits on investment assets were £130,560 and its net movement in funds was a surplus of £492,452. 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 2009

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.

(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 2009

1. Accounting Policies (continued)

(m) Pensions

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

| | 2009 £ | 2008 £ |
|----------------------------|---------------|----------------|
| Investment Income | | |
| Dividends and other income | 66 | 2 |
| Bank interest received | 6,780 | 30,613 |
| | <u>£6,846</u> | <u>£30,615</u> |

4. Incoming resources from charitable activities

Membership subscriptions and other income:

| | 2009 £ | 2008 £ |
|---------------------------|-------------------|-------------------|
| Membership subscriptions | 2,509,035 | 2,420,710 |
| Entry fees | 70,518 | 47,506 |
| Sale of books and regalia | 4,041 | 20,115 |
| Other | 223,898 | 316,891 |
| | <u>£2,807,492</u> | <u>£2,805,222</u> |

Appointment and scheme administration fees include:

| | 2009 £ | 2008 £ |
|---------------------------------|-------------------|-------------------|
| Dispute resolvers fees received | 545,291 | 825,009 |
| Administration and sundry fees | 1,241,903 | 1,192,704 |
| | <u>£1,787,194</u> | <u>£2,017,713</u> |

Notes to the Accounts – continued
For the year ended 31st December 2009

5. Charitable activities

| | | <i>Direct Costs</i> | <i>Support Costs</i> | <i>Total 2009</i> | <i>Total 2008</i> |
|------------------------------------------|--------------------|----------------------------------|--------------------------|----------------------------|-----------------------|
| | | £ | £ | £ | £ |
| Membership activities | | 1,075,605 | 1,305,461 | 2,381,066 | 2,313,554 |
| Scheme administration and other expenses | | 545,291 | 1,165,588 | 1,710,879 | 1,842,271 |
| Education and training expenses | | 868,605 | 372,408 | 1,241,013 | 1,178,862 |
| Room hire expenses | | 89,785 | 456,858 | 546,643 | 516,399 |
| | | <u>£2,579,286</u> | <u>£3,300,315</u> | <u>£5,879,601</u> | <u>£5,851,086</u> |
| Support costs | <i>Staff costs</i> | <i>Accommod- ation costs</i> | <i>Depreciation</i> | <i>Miscellan- eous</i> | <i>Total</i> |
| | £ | £ | £ | £ | £ |
| Membership activities | 982,795 | 103,997 | 13,345 | 205,324 | 1,305,461 |
| Scheme administration and other expenses | 829,019 | 41,323 | 25,094 | 270,152 | 1,165,588 |
| Education and training expenses | 270,978 | 31,102 | 3,991 | 66,337 | 372,408 |
| Room hire expenses | 159,542 | 232,845 | 29,878 | 34,593 | 456,858 |
| Total 2009 | <u>£2,242,334</u> | <u>£409,267</u> | <u>£72,308</u> | <u>£576,406</u> | <u>£3,300,315</u> |
| Total 2008 | <u>£1,997,575</u> | <u>£486,221</u> | <u>£81,055</u> | <u>£498,472</u> | <u>£3,063,323</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

| | 2009 | 2008 |
|-----------------------------|-----------------|-----------------|
| | £ | £ |
| Trustees and other meetings | 116,366 | 186,760 |
| Auditor's fees – Audit | 25,723 | 35,341 |
| – Other financial services | 8,000 | 3,500 |
| | <u>£150,089</u> | <u>£225,601</u> |

7. Other Resources Expended

| | 2009 | 2008 |
|---------------------------------|-----------------|-----------------|
| | £ | £ |
| Angel Gate rent and other costs | 198,414 | 190,673 |
| Other expenses | 863 | 863 |
| | <u>£199,277</u> | <u>£191,536</u> |

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

Notes to the Accounts – continued
For the year ended 31st December 2009

8. Staff Costs

| | 2009 | 2008 |
|------------------------------------|--------------------------|--------------------------|
| | £ | £ |
| Wages and salaries | 1,793,764 | 1,548,253 |
| Employers national insurance | 192,036 | 148,183 |
| Pension costs | 92,954 | 72,193 |
| Other staff costs | 163,580 | 228,946 |
| Total employees' emoluments | <u>£2,242,334</u> | <u>£1,997,575</u> |

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

| | 2009 | 2008 |
|------------------------|------------------|------------------|
| Membership services | 12 | 11 |
| Scheme administration | 18 | 13 |
| Education and Training | 6 | 6 |
| Room Hire | 2 | 2 |
| General administration | 14 | 14 |
| Total | <u>52</u> | <u>46</u> |

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

| | 2009 | 2008 |
|--------------------------------|-----------------|-----------------|
| | No. | No. |
| £70,000 to £79,999 per annum | 1 | 1 |
| £80,000 to £89,999 per annum | 1 | 1 |
| £90,000 to £99,999 per annum | 1 | – |
| £110,000 to £119,999 per annum | – | 1 |
| £120,000 to £129,999 per annum | 1 | – |
| | <u>5</u> | <u>3</u> |

Pension payments in respect of these four employees (2008: three) in 2009 amounted to £21,429 (2008: £16,101).

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:

| | 2009 | 2008 |
|---------------------------------------|-----------------------|-----------------------|
| | £ | £ |
| Travel | 44,195 | 54,790 |
| Hotel costs | 1,975 | 4,655 |
| Subsistence | 267 | 63 |
| | <u>£46,437</u> | <u>£59,508</u> |
| | No. | No. |
| Number of Trustees reimbursed in year | <u>11</u> | <u>12</u> |

Notes to the Accounts – continued
For the year ended 31st December 2009

10. Operating Leases

During 2009 the Institute paid £249,730 (2008: £301,672) under two (2008: 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 £52,838 per annum (2008: £40,313). At 31st December 2009 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> | |
|----------------------------|---------------------------|-----------------|----------------|----------------|
| | <i>2009</i> | <i>2008</i> | <i>2009</i> | <i>2008</i> |
| | <i>£</i> | <i>£</i> | <i>£</i> | <i>£</i> |
| Leases expiring: | | | | |
| In less than one year | – | 140,000 | – | – |
| Between one and five years | – | – | 52,838 | 40,313 |
| After five years | 236,672 | 161,672 | – | – |
| | <u>£236,672</u> | <u>£301,672</u> | <u>£52,838</u> | <u>£40,313</u> |

Rental income receivable from sub-tenants in respect of these leases in 2009 is £Nil (2008 – £Nil).

11. Pension Obligations

The Institute and its subsidiary company, IDRS Limited, make contributions to employee defined contribution pension schemes. Contributions in the year amounted to £92,954 (2008: £72,193). At the year-end there were no prepaid contributions (2008: £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 (2008: £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 2009

13. Tangible Fixed Assets

Group

| | <i>Freehold Land and Buildings £</i> | <i>Improvements to Leasehold Premises £</i> | <i>Furniture and Equipment £</i> | <i>Computer and Electronic Equipment £</i> | <i>Total £</i> |
|-----------------------|----------------------------------------------|---------------------------------------------------------|----------------------------------------------|------------------------------------------------------------|--------------------|
| Cost | | | | | |
| At 1st January 2009 | 4,248,126 | 106,347 | 417,088 | 479,634 | 5,251,195 |
| Additions | – | – | 3,314 | 11,898 | 15,212 |
| At 31st December 2009 | <u>4,248,126</u> | <u>106,347</u> | <u>420,402</u> | <u>491,532</u> | <u>5,266,407</u> |
| Depreciation | | | | | |
| At 1st January 2009 | – | 60,209 | 246,707 | 430,683 | 737,599 |
| Charge for the year | – | 14,761 | 40,583 | 35,756 | 91,100 |
| At 31st December 2009 | <u>–</u> | <u>74,970</u> | <u>287,290</u> | <u>466,439</u> | <u>828,699</u> |
| Net Book Value | | | | | |
| 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> |
| At 31st December 2008 | <u>£4,248,126</u> | <u>£46,138</u> | <u>£170,381</u> | <u>£48,951</u> | <u>£4,513,596</u> |

Parent Undertaking

| | <i>Freehold Land and Buildings £</i> | <i>Improvements to Leasehold Premises £</i> | <i>Furniture and Equipment £</i> | <i>Computer and Electronic Equipment £</i> | <i>Total £</i> |
|-----------------------|----------------------------------------------|---------------------------------------------------------|----------------------------------------------|------------------------------------------------------------|--------------------|
| Cost | | | | | |
| At 1st January 2009 | 4,248,126 | 106,347 | 371,670 | 412,480 | 5,138,623 |
| Additions | – | – | 1,222 | 9,234 | 10,456 |
| 31st December 2009 | <u>4,248,126</u> | <u>106,347</u> | <u>372,892</u> | <u>421,714</u> | <u>5,149,079</u> |
| Depreciation | | | | | |
| At 1st January 2009 | – | 60,209 | 230,814 | 391,767 | 682,790 |
| Charge for the year | – | 14,761 | 35,950 | 15,295 | 66,006 |
| At 31st December 2009 | <u>–</u> | <u>74,970</u> | <u>266,764</u> | <u>407,062</u> | <u>748,796</u> |
| Net Book Value | | | | | |
| 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> |
| At 31st December 2008 | <u>£4,248,126</u> | <u>£46,138</u> | <u>£140,856</u> | <u>£20,713</u> | <u>£4,455,833</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 2009

14. Fixed Asset Investments – Managed Funds

| Group and Parent Undertaking | <i>Total</i> £ |
|---------------------------------|-------------------|
| Cost | |
| At 1st January 2009 | 670,985 |
| Additions | 66 |
| Disposals | – |
| At 31st December 2009 | <u>£671,051</u> |
| Market Value | |
| At 1st January 2009 | 635,444 |
| Additions | – |
| Disposals | – |
| Net income in year | 66 |
| Net investment gains – Realised | – |
| – Unrealised | 130,560 |
| At 31st December 2009 | <u>£766,070</u> |

The investments above are invested as follows:

| | 2009 £ | 2008 £ |
|-----------------------------------------|-----------------|-----------------|
| Sarasin Chiswell Common Investment Fund | 765,970 | 635,344 |
| UK Government Bonds | 100 | 100 |
| | <u>£766,070</u> | <u>£635,444</u> |

Parent Undertaking

Fixed Asset Investments – Subsidiary Undertakings

The Institute had four 100% owned subsidiary companies at 31st December 2009, 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 at 31st December 2009 and at 31st December 2008 apart from 12 Bloomsbury Square Limited which was formed during the year. IDRS Limited had aggregate share capital of £50,000 at 31st December 2009 (2008: £50,000). The results of IDRS 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. Neither Arbitration Services Limited, Independent Dispute Resolution Services Limited nor 12 Bloomsbury Square Limited traded in either year and turnover and expenditure was consequently £Nil (2008: £Nil).

Notes to the Accounts – continued
For the year ended 31st December 2009

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

Investment in Subsidiary Undertaking – IDRS Limited

| | £ | £ | £ |
|---------------------------------------|--------------------------|-------------------------------|-------------------|
| | <i>Share Capital</i> | <i>Investment account</i> | <i>Total</i> |
| Cost | | | |
| Brought forward at 1st January 2009 | 50,000 | 182,707 | 232,707 |
| Repaid in year | – | – | – |
| Carried forward at 31st December 2009 | <u>£50,000</u> | <u>£182,707</u> | <u>£232,707</u> |
| Provision | | | |
| Brought forward at 1st January 2009 | | | £(125,293) |
| Provided in the year | | | (14,582) |
| Carried forward at 31st December 2009 | | | <u>£(139,875)</u> |
| Net book amount at 31st December 2009 | | | <u>£92,832</u> |
| Net book amount at 31st December 2008 | | | <u>£107,414</u> |

Interest is receivable on the interest bearing investment account at the rate of one half of one per cent per annum above the HSBC Bank Plc base lending rate or such other rate as may be agreed from time to time. The interest bearing investment account is unsecured and is not repayable within one year.

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

| | 2009 | 2008 |
|----------------------------------|------------------|------------------|
| Turnover | £1,735,303 | £1,972,318 |
| Total expenses | £1,749,885 | £1,894,311 |
| (Loss)/Profit for the year | £(14,582) | £78,007 |
| Net liabilities at 31st December | <u>£(89,875)</u> | <u>£(75,293)</u> |

15. Stocks

| | <i>Parent Undertaking</i> | | <i>Group</i> | |
|----------------------------|---------------------------|---------------|----------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | £ | £ | £ | £ |
| Stock and goods for resale | 8,568 | 9,181 | 8,568 | 9,181 |
| Work in Progress | – | – | 7,035 | 21,630 |
| | <u>£8,568</u> | <u>£9,181</u> | <u>£15,603</u> | <u>£30,811</u> |

Notes to the Accounts – continued
For the year ended 31st December 2009

16. Debtors

| | <i>Parent Undertaking</i> | | <i>Group</i> | |
|----------------------------|---------------------------|-----------------|-----------------|-----------------|
| | 2009 £ | 2008 £ | 2009 £ | 2008 £ |
| Other debtors | 127,648 | 99,589 | 345,224 | 420,949 |
| Stakeholder accounts | 13,899 | 45,065 | 17,416 | 46,830 |
| Amount due from subsidiary | 55,554 | 7,778 | – | – |
| Prepayments | 231,050 | 236,716 | 257,651 | 252,323 |
| Accrued income | 65,548 | 43,978 | 65,548 | 43,978 |
| | <u>£493,699</u> | <u>£433,126</u> | <u>£685,839</u> | <u>£764,080</u> |

17. Liabilities: Amounts falling due within one year

| | <i>Parent Undertaking</i> | | <i>Group</i> | |
|-----------------------------------|---------------------------|-------------------|-------------------|-------------------|
| | 2009 £ | 2008 £ | 2009 £ | 2008 £ |
| Bank overdraft | 13,658 | 201,274 | 13,658 | 201,274 |
| Bank loans | 127,740 | 87,740 | 127,740 | 87,740 |
| Subscriptions received in advance | 113,470 | 24,687 | 113,470 | 24,687 |
| Other creditors | 166,955 | 382,041 | 224,416 | 499,548 |
| Tax and Social Security costs | 60,831 | 25,590 | 132,822 | 41,380 |
| Stakeholder accounts | 13,899 | 45,065 | 17,416 | 46,830 |
| Accruals | 410,556 | 324,239 | 425,266 | 450,505 |
| Deferred income | 115,203 | 57,392 | 196,780 | 178,982 |
| | <u>£1,022,312</u> | <u>£1,148,028</u> | <u>£1,251,568</u> | <u>£1,530,946</u> |

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> | |
|-----------------------------------------------------------|-----------------------------|--------------------------------------|-------------------------|-------------------|
| | | | 2009 £ | 2008 £ |
| Fixed interest rate loan (Fixed until 18 January 2011) | 6.0% | 1,150,000 | 812,322 | 864,071 |
| Variable interest rate loan | 1% over HSBC Bank base rate | 1,150,000 | 780,730 | 859,394 |
| | | <u>£2,300,000</u> | <u>1,593,052</u> | <u>1,723,465</u> |
| Less: Amounts falling due within one year | | | (127,740) | (87,740) |
| | | | <u>£1,465,312</u> | <u>£1,635,725</u> |

Notes to the Accounts – continued
For the year ended 31st December 2009

19. Group Funds Summary

| | 2009 | 2008 |
|-----------------------------------|-------------------|-------------------|
| | £ | £ |
| Group Funds balance | <u>£4,488,113</u> | <u>£3,995,661</u> |
| | £ | £ |
| Fund Balances are represented by: | | |
| Tangible fixed assets | 4,437,708 | 4,513,596 |
| Fixed asset investments | 766,070 | 635,444 |
| Net current assets | 749,647 | 482,346 |
| Long term liabilities | (1,465,312) | (1,635,725) |
| Total Net Assets | <u>£4,488,113</u> | <u>£3,995,661</u> |

Reconciliation of unrealised (losses)/gains on investment assets included above:

| | 2009 | 2008 |
|----------------------------------------------------|----------------|------------------|
| | £ | £ |
| Unrealised gains at 1st January 2009 | (35,541) | 122,246 |
| Net gains/(losses) arising on revaluations in year | 130,560 | (157,787) |
| | <u>£95,019</u> | <u>£(35,541)</u> |

20. Capital Commitments and Contingent Liabilities

| | 2009 | 2008 |
|-----------------------------------|-----------|-----------|
| | £- | £- |
| Authorised but not yet contracted | <u>£-</u> | <u>£-</u> |

There is a cross guarantee of £49,353 (2008: £54,124) in favour of HM Revenue and Customs in respect of the Institute's membership of the Chartered Institute of Arbitrators VAT group.

21. Branch Results

| | <i>Grants from</i> <i>Central Funds</i> | <i>Income</i> | <i>Expenditure</i> |
|--------------------------|--------------------------------------------|----------------|--------------------|
| | £ | £ | £ |
| England and Wales | | | |
| East Anglia | 4,580 | 7,230 | 10,100 |
| East Midlands | 2,020 | 1,078 | 2,460 |
| London | 12,292 | 8,452 | 41,193 |
| Northumbria | 712 | 213 | 503 |
| North East | 2,684 | 1,130 | 3,582 |
| North West | 3,896 | 5,119 | 12,961 |
| South East | 5,520 | 935 | 6,310 |
| Southern | 2,260 | 2,767 | 6,915 |
| Thames Valley | 2,708 | 170 | 2,288 |
| Wales | 1,584 | 1,191 | 1,458 |
| Western Counties | 3,564 | 3,663 | 6,718 |
| West Midlands | 3,164 | 1,584 | 3,017 |
| | <u>£44,984</u> | <u>£33,532</u> | <u>£97,505</u> |

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

Notes to the Accounts – continued
For the year ended 31st December 2009

21. Branch Results – (continued)

| | <i>Income</i> | <i>Expenditure</i> |
|-------------------------------------|-------------------|--------------------|
| | £ | £ |
| Scotland and International | | |
| Australia | 30,511 | 21,743 |
| Bermuda | 15,915 | 6,969 |
| Channel Islands | 1,260 | 779 |
| Cyprus | 4,936 | 7,059 |
| East Asia | 121,504 | 133,481 |
| Egypt | 10,148 | 8,696 |
| Europe | 28,491 | 19,043 |
| Ireland | 205,848 | 195,854 |
| Kenya | 85,212 | 71,489 |
| Lebanon | 20,776 | 14,934 |
| Malaysia | 35,827 | 25,813 |
| Nigeria | 270,294 | 248,567 |
| North America | 63,169 | 50,143 |
| Scotland | 49,625 | 45,771 |
| Thailand | 1,221 | 2,515 |
| UAE | 150,716 | 84,511 |
| | <u>£1,095,453</u> | <u>£937,367</u> |
| | 2009 | 2008 |
| | £ | £ |
| Branch Assets/(Liabilities): | | |
| Fixed assets | 39,061 | 55,308 |
| Cash at bank and in hand | 1,188,590 | 1,119,756 |
| Debtors | 252,875 | 189,478 |
| Accrued expenses | (139,159) | (84,242) |
| | <u>£1,341,367</u> | <u>£1,280,300</u> |

Branch assets and liabilities have been consolidated within the main balance sheet headings.

Cumulative unrealised exchange gains of £46,262 (2008: £124,292) in respect of the branch assets and liabilities shown above have been taken to reserves.

Notes to the Accounts – continued

For the year ended 31st December 2009

21. Branch Results – (continued)

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

| | <i>England & Wales</i> £ | <i>Scotland & International</i> £ | 2009 Total £ | 2008 Total £ |
|----------------------------------------------|-------------------------------------|----------------------------------------------|--------------------|--------------------|
| Income | | | | |
| Subscriptions | – | 247,271 | 247,271 | 249,772 |
| Meetings and seminars | 28,029 | 108,888 | 136,917 | 173,585 |
| Income from courses | 1,500 | 633,104 | 634,604 | 548,362 |
| Scheme income | – | 51,891 | 51,891 | 50,591 |
| Bank interest receivable | 904 | 5,198 | 6,102 | 17,834 |
| Other income | 3,099 | 49,101 | 52,200 | 136,925 |
| | <u>£33,532</u> | <u>£1,095,453</u> | <u>£1,128,985</u> | <u>£1,177,069</u> |
| Expenditure | | | | |
| Branch office and administration expenditure | 24,200 | 353,230 | 377,430 | 322,409 |
| Travel and transport | 463 | 24,716 | 25,179 | 50,264 |
| Branch meetings and ancillary costs | 49,497 | 87,111 | 136,608 | 161,923 |
| Courses expenses | 1,452 | 342,274 | 343,726 | 456,601 |
| Scheme expenses | – | 37,871 | 37,871 | 29,709 |
| Other expenses | 21,893 | 92,165 | 114,058 | 91,158 |
| | <u>£97,505</u> | <u>£937,367</u> | <u>£1,034,872</u> | <u>£1,112,064</u> |
| Net Surplus/(Deficit) | <u>£(63,973)</u> | <u>£158,086</u> | <u>£94,113</u> | <u>£65,005</u> |

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