

**P.R.I.M.E. Finance Disputes Center**  
**The Hague**

**Report 2019**

Founded: 21-06-2011 in The Hague  
Registered in Chamber of Commerce  
Filenummer 52998614

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In this annual report the negative figures are shown in brackets

## 1. General Comments

### 1.1 Objective of P.R.I.M.E. Finance

Stichting P.R.I.M.E. Finance Disputes Center ("P.R.I.M.E. Finance") was established on 21 June 2011 to assist judicial systems in the resolution of disputes about complex financial transactions. P.R.I.M.E. Finance's core activities include education and judicial training, providing expert opinions, determinations and risk assessments and both arbitration and mediation services. P.R.I.M.E. Finance oversees and is supported by a Panel of Experts, which currently includes some of the most senior legal and business talent in the financial markets with collectively more than 4.000 years of experience in these markets.

### 1.2 Composition of the board

R.G. Pickel	- Chairman
R.E. Grove Jr.	- Secretary
J.P. Bauman	- Treasurer
D.D. Enix-Ross	- Member
D.E. Goldie-Morrison	- Member
C.J. Ross	- Member
M.T. Steele	- Member
E.S. Stong	- Member
A.J. Kellerman	- Member
W.A.K. Rank	- Member
I.L. Levine	- Member

### 1.3 Staff

During 2019 P.R.I.M.E. Finance had 0,6 employees. It also had a Head of Secretariat working for P.R.I.M.E. Finance via a contractual relationship with the Permanent Court of Arbitration ("PCA").

### 1.4 Contributions

The Panel of Experts have contributed € 121.000 from formation up to the end of 2019.

### 1.5 Subsequent Events

The activities and financial performance of P.R.I.M.E. Finance may be affected by the recent coronavirus pandemic, which has adversely affected economic conditions throughout the world. If the outbreak continues P.R.I.M.E. Finance may experience disruption in its planned conferences and ability to achieve its fundraising targets. While the Board cannot at this time quantify the financial effects of this disruption, it is reviewing contingency plans for the timing of its conferences and the dissemination of information usually delivered in the conference setting. In this regard market disruptions caused by the pandemic may result in the need for P.R.I.M.E. Finance's expertise in the resolution of resulting contractual disagreements.

## 2. Annual Accounts

2.1 Balance sheet as at 31 December 2018 and 2019  
(after profit appropriation)

<b><u>ASSETS</u></b>		<b><u>12/31/2019</u></b>	<b><u>12/31/2018</u></b>
		€	€
<b>Current assets</b>	<b><u>Explanatory notes</u></b>		
<i>Receivables</i>			
Accounts receivables	1.	15,000	29,784
Other receivables	2.	<u>6,287</u>	<u>37,730</u>
		21,287	67,515
<i>Cash at bank</i>	3.	<u>22,056</u>	<u>24,734</u>
		22,056	24,734
Total assets		<u><u>43,343</u></u>	<u><u>92,249</u></u>

<b><u>LIABILITIES</u></b>		<b><u>12/31/2019</u></b>	<b><u>12/31/2018</u></b>
		€	€
<b>Equity</b>	<b><i>Explanatory notes</i></b>		
Capital	4.	-	-
Other reserves	5.	<u>(6,121)</u>	<u>19,580</u>
Total equity		(6,121)	19,580
<b>Current liabilities</b>	6.	49,464	72,669
Total equity and liabilities		<u><u>43,343</u></u>	<u><u>92,249</u></u>

## 2.2 Statement of income and expense for 2018 and 2019

		<u>2019</u> €	<u>2018</u> €
	<i>Explanatory notes</i>		
<b>Revenues</b>	7.	195,952	300,208
Costs of contracted work and direct expenses	8.	(57,947)	(111,515)
Employee costs	9.	(135,821)	(246,241)
Other operating expenses	10.	(27,885)	(45,802)
<b>Total operating expenses</b>		<u>(221,653)</u>	<u>(403,557)</u>
<b>Result from ordinary activities</b>		<u>(25,701)</u>	<u>(103,349)</u>
Financial income and expenses	11.	<u>0</u>	<u>2</u>
<b>Result for the period</b>		<u>(25,701)</u>	<u>(103,347)</u>

**Proposed profit appropriation**

Based on the profit appropriation proposal made by the board, an amount of € 25.701 of the result for 2019 of € 25.701 will be deducted from other reserves.

## 2.3 Explanatory notes

### **Activities**

P.R.I.M.E. Finance was established on 21 June 2011.

P.R.I.M.E. Finance was established to assist judicial systems in the resolution of disputes about complex financial transactions. Substantial financial support was originally provided by the Municipality of The Hague through 2018. P.R.I.M.E. Finance's core activities include education and judicial training, providing expert opinions, determinations and risk assessments and arbitration and mediation services. P.R.I.M.E. Finance oversees and is supported by a Panel of Experts, which currently includes some of the most senior legal and business talent in the financial markets with collectively more than 4.000 years of experience in these markets.

### **Registered office**

P.R.I.M.E. Finance has its registered office at Carnegieplein 2, 2517 KJ, The Hague.

### **Estimates**

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the organisation's accounting policies. As required for the purposes of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed below.

### **Negative Balance**

P.R.I.M.E. Finance is a not-for-profit entity and does not have paid-in capital. At 31 December 2019 P.R.I.M.E. Finance had a negative balance in other reserves of €6,121, mainly due to its loss of subsidy from the Municipality of The Hague. P.R.I.M.E. Finance is implementing a financial plan for 2020 that is expected to produce an operating surplus and positive cash flow that will return its reserves to a positive position. The plan includes a reduction in its employee and other operating expenses, increasing donations from its Panel of Experts and other targeted donors, net revenue from its conferences, and increased payments for administrative services provided by its U.S. affiliate.

### **Principles for the valuation of assets and liabilities**

#### **General**

These financial statements are prepared where possible in accordance with the models as specified in Book 2, Title 9 of the Dutch Civil Code. Because of the special character of P.R.I.M.E. Finance, the financial statements are prepared in accordance with the Guideline for Annual Reporting 640, "Not-for-profit organizations" ("RJ 640") and may differ from the standard models in some respects.

Assets and liabilities are stated at the amounts at which they were acquired or incurred. The balance sheet and income statement include references to the notes.

#### **Principles for the translation of foreign currencies**

Foreign currencies have been translated at the rates of exchange applicable at the end of the financial period. With respect to transactions during the year currencies have been translated at the rates of exchange applicable at the time of receipt or payment of the transaction.

#### **Current assets**

##### **Receivables**

Accounts receivable are valued at face value less a provision for possibly uncollectable accounts.

##### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at face value.

##### **Current liabilities**

Current liabilities are stated at face value.

***Principles for the determination of result***

***General***

The result is the difference between the realisable value of the goods and services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

***Contributions***

Subsidies are recognized in the income statement in the year in which they were received. Grants are recognized in the period in which they were received and P.R.I.M.E. Finance has complied with all attached conditions.

***Employee benefits***

Salaries, wages and social security contributions are taken to the income statement based on the terms of employment, when they are due to employees.

***Taxation on the result***

The activities of P.R.I.M.E. Finance are not subject to corporation tax as P.R.I.M.E. Finance is not assumed to be profit-oriented and profit-realizing in the normal course of business.

***General and other operating expenses***

Expenses are recognised based on the historical cost convention and are allocated to the reporting year to which they relate. These expenses relate to the general management fees and other expenses.



2.4 Explanatory notes to the balance sheet

	<u>12/31/2019</u>	<u>12/31/2018</u>
	€	€
<b>Receivables</b>		
1. <u>Accounts receivable</u>		
Accounts receivable	17,766	32,551
Allowance for doubtful accounts	(2,766)	(2,766)
	<u>15,000</u>	<u>29,784</u>
2. <u>Other receivables</u>		
Subsidy receivable from Municipality of The Hague	-	30,000
Prepaid costs Hotel des Indes	-	935
Prepaid costs PCA	6,055	6,055
Prepaid travel costs experts	-	740
NAI telephone costs	232	-
	<u>6,287</u>	<u>37,730</u>
<b>Cash at bank and in hand</b>		
3. <u>Cash at bank</u>		
ABN AMRO Bank, Current account	22,039	14,217
ABN AMRO Bank, Deposit account	17	10,517
	<u>22,056</u>	<u>24,734</u>
<b>Equity</b>		
4. <u>Capital</u>		
Position as at 1 January	-	-
Revaluation	-	-
Position as at 31 December	<u>-</u>	<u>-</u>
5. <u>Other reserves</u>		
Balance as at 1 January	19,580	122,927
From result appropriation	(25,701)	(103,347)
Position as at 31 December	<u>(6,121)</u>	<u>19,580</u>
6. <b>Current liabilities</b>		
Deferred conference revenues (to be received)	15,000	29,785
Deferred conference revenues (received)	22,193	29,220
Audit fees	6,050	-
Administration fee	2,570	-
IT fees payable	1,936	-
Accruals and deferred income	425	-
VAT specialist/adviser	-	7,875
Wage taxes and social security contributions	1,290	11,387
VAT to be paid (received)	-	(5,597)
	<u>49,464</u>	<u>72,669</u>

**2.5 Explanatory notes to the statement of income and expense**

	<u>2019</u>	<u>2018</u>
	€	€
<b>7. <u>Revenues</u></b>		
Subsidy from the Municipality of The Hague	-	150,000
Sponsoring and attendance fees of conference The Hague	138,599	129,080
Payments from PRIME Finance DREF for NY conference support	52,860	18,378
Contributions from Friends of PRIME	4,493	2,750
	<u>195,952</u>	<u>300,208</u>
<b>8. <u>Costs of contracted work and direct expenses</u></b>		
The Hague conference costs	(53,606)	(50,396)
Reimbursed travel costs of experts	(4,341)	(32,278)
NIAS fellowship expenses	-	(17,041)
ICCA2018 breakfast session	-	(8,100)
IT Development	-	(3,700)
	<u>(57,947)</u>	<u>(111,515)</u>
<b>9. <u>Employee costs</u></b>		
Salaries	(43,480)	(117,827)
Social security contributions	(7,951)	(19,293)
Contribution PCA	(64,691)	(67,600)
Rent PCA	(7,000)	(7,000)
VAT expert BDO	(1,654)	(7,875)
Travel costs - employee	(3,821)	(13,557)
Other employee costs	(7,224)	(13,087)
	<u>(135,821)</u>	<u>(246,241)</u>

**Average number of employees**

During 2019, on average 1,0 employee (0,80 FTE) was employed (2018: 2.0) of which 0,0 employee was working outside the Netherlands (2018: 0.0).

The Board of the Foundation does not receive any remuneration for its activities.

**2.5 Explanatory notes to the statement of income and expense (continued)**

	<u>2019</u>	<u>2018</u>
	€	€
10. <u>Other operating expenses</u>		
Administration costs	(9,480)	(11,582)
IT costs and improvement - website	(7,629)	(11,238)
Audit Fees	(7,260)	(11,795)
Settlement of VAT obligations	-	(10,811)
Dotation allowance for doubtful accounts	-	1,699
Other operating expenses	(3,516)	(2,075)
	<u>(27,885)</u>	<u>(45,802)</u>
11. <u>Financial income and expenses</u>		
Bankinterest income	<u>-</u>	<u>2</u>

**3. Other information**

3.1 Independent Auditor's report

The Independent Auditor's report follows on the pages hereafter.



## GBA ACCOUNTANTS & ADVISEURS

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### INDEPENDENT AUDITOR'S REPORT

To: The Board of Stichting P.R.I.M.E. Finance Dispute Center  
Ref: MB/26660/2020-C04.001

#### **A. Report on the audit of the financial statements 2019 included in the annual report**

##### **Our opinion**

We have audited the financial statements 2019 of Stichting P.R.I.M.E. Finance Dispute Center based in The Hague.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Stichting P.R.I.M.E. Finance Dispute Center as at 31 December 2019 and of its result for 2019 in accordance with the 'RJ-Richtlijn 640 Organisaties zonder winststreven' (Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board).

The financial statements comprise:

1. Balance sheet as at 31 December 2019;
2. Statement of income and expenses for 2019; and
3. the notes comprising of a summary of the accounting policies and other explanatory information.

##### **Basis for our opinion**

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting P.R.I.M.E. Finance Dispute Center in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **B. Report on the other information included in the annual report**

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Independent Auditor's Report

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Becon nr.: 33.90.03



Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Report in accordance with the 'RJ-Richtlijn 640 Organisaties zonder winststreven' (Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board)

### **C. Description of responsibilities regarding the financial statements**

#### **Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 'RJ-Richtlijn 640 Organisaties zonder winststreven' (Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board). Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the Foundation's ability to continue as a going concern in the financial statements.

#### **Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a Foundation to cease to continue as a going concern.
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

The Hague, April 21, 2020

GBA Accountants

M. Broekman RA/AA