

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES**

FINANCIAL STATEMENTS

31 MARCH 2020

Charity No. 210639



ROYAL UNITED SERVICES INSTITUTE FOR DEFENCE AND SECURITY STUDIES

ANNUAL REPORT OF TRUSTEES

The trustees are pleased to present their report and the financial statements for the year ended 31 March 2020.

OBJECTIVES AND ACTIVITIES

The charity's purpose is the promotion and advancement of Naval and Military Science and Literature. The Royal United Services Institute for Defence and Security Studies ("RUSI" or "The Institute") provides an independent platform for the study of defence and security policy and for the dissemination of knowledge on defence and international security matters to a wide audience. The expanded mission statement of the Institute is to seek to be, or to become, a World Class Centre of Excellence, and within that, the Professional Forum for those concerned with National and International Defence and Security.

The main activities undertaken by the Institute in pursuit of these purposes are:

- its research programme, which promotes the in-depth study of defence and security policy, thus making an independent contribution to thinking and practice;
- its programme of lectures, conferences and seminars, which provide a forum for discussion of the UK's security as well as other global defence and security issues, and which bring together participants from the armed forces, the civil services, the private sector, academia, civil society, the public, and the media;
- its Journal and other periodicals and publications, which help to inform opinion and extend knowledge of defence and security matters to a wider public; and
- the encouragement of the maximum participation of its members in the above activities.

The trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011, to have due regard to the Charity Commission's general guidance on public benefit, 'Charities and Public Benefit'. The Institute's charitable purpose is encapsulated in its objectives above and in the Royal Charter. The trustees ensure that this is carried out for the public benefit by delivering services that are valued by RUSI members and the public at large through the Institute's research programmes, events, publications, and on-line and media communications. Everything the Institute does is independent of political party affiliation or support.

ACHIEVEMENTS AND PERFORMANCE

COVID-19

The COVID-19 crisis which began at the end of this accounting period (including of course the lockdown which started on 23rd March, 2020), has not significantly affected the results of the charity for the year ended 31st March, 2020. Since the start of lockdown, RUSI has moved quickly to adapt to new ways of working, and although the conference and events businesses have suffered during this period, we have successfully moved most of our events, including members' events, online, and we are excited about the wider reach that has been achieved in this new medium. The demand for RUSI's research continues to be strong, and our researchers are able to deliver the same quality of work while working remotely. We have carried out an assessment to confirm that in the light of the COVID-19 crisis, RUSI remains a going concern, and are satisfied that this is the case. Management and trustees are proud of the adaptability and resilience shown by the staff across all areas of RUSI, in London, Nairobi and Brussels, in this unprecedented situation.

Research Programme

RUSI has completed a wide-ranging and active programme of research in the year ended 31 March 2020. The breadth of its work covers traditional areas of study including defence, national and international security, as well as innovative new areas of research into cyber security and technology, financial and environmental crime. In 2019-20, the Institute carried out 140 research projects (2019: 103) and gross research income was £10,069,252 (2019: £7,669,418).

Below are some highlights from RUSI's research groups:

RUSI's **Centre for Financial Crime and Security Studies** addresses the risks posed by financial crime for the UK and international security. In 2019-20, the Centre:

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- Launched the Sanctions Task Force, a high-level working group providing a valuable resource for the UK Foreign Office, parliamentarians, domestic/international policy analysts and the private sector as the UK forms its post-Brexit sanctions strategy.
- Launched Project CRAFT, funded by the European Commission, to promote the awareness of terrorist financing across the European Union.
- Broadcast the first season of 'The Suspicious Transaction Report' podcast, reaffirming the Centre's reputation as a go-to source for high-level policy insights and discussion on pressing financial crime issues.
- Developed a strong body of work on cryptocurrencies and their role in international criminal activity. Published influential reports on North Korea's use of cryptocurrencies to flout international sanctions.
- Released the results of a survey of sanctions professionals from across the global financial industry, revealing significant gaps in private sector knowledge on proliferation finance and capacity to address North Korea and Iran sanctions.
- Briefed global high-profile policymaking forums, including the United Nations Security Council, Financial Action Task Force, UK Parliament, and the European Parliament, and was a leading voice dominating discussion at the intersection of finance and security.
- Supported the Guardian, the BBC and other major outlets for the 'Luanda Leaks', providing expert advice and commentary on the movement of international illicit finance.

RUSI's **Cyber Security** research group focuses on diverse cyber security challenges, merging policy and technical analysis to inform policymakers and practitioners alike. In 2019-20, this research group:

- Launched a substantial research project on the globalisation of technology and associated cyber threats.
- Was a leading voice in the national debate over Huawei's presence in the UK's 5G infrastructure through the publication of research papers, media briefings and a major research study on risk management for 5G implementation.
- Published a policy paper and held high-level workshops with the UK Government on the future of the UK's cyber security strategy.
- Built a cyber-security network across the public sector and private sector, and academia, including a cyber youth network.

RUSI's **Defence, Industries and Society** research group promotes understanding of defence as a complex enterprise, embracing the roles of both the public and private sectors. In 2019-20, this research group:

- Released a report arguing that the UK needs a speedier defence procurement process that recognises the long-term value of failure to stimulate defence innovation
- Proposed an adaptive AI procurement process arguing that AI does not fit easily with established defence procurement elements via an article in the *RUSI Journal*.
- Published a chapter on realism in defence acquisition in a defence economics text from Cambridge University text.
- Began continuing work with the Defence Growth Partnership on UK-Japan defence cooperation, including presentations at RUSI and British Embassy events in Tokyo.

RUSI's **International Security Studies** research group analyses security and foreign policy developments in key countries and regions across the world. In 2019-20, this research group:

- Organised Track 1.5 (participants are non-governmental, but with some government participation at set times) bilateral dialogues on security relations between Russia and the UK with the Russian International Affairs Council (RIAC),
- Held the UK-Japan Security Forum comprising of senior policy makers from both countries.
- Hosted representatives from the UK, China, Afghanistan, Pakistan and Uzbekistan in Beijing, to discuss cooperation on development in Afghanistan.

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- With Save the Children, examined the UK's 2010 Protection of Civilians (PoC) strategy and proposed new ways for the government to strengthen its role in leading and shaping the global agenda.
- Published a report looking at how social media platforms have been instrumentalised for a variety of purposes by terrorist organisations in Pakistan, Bangladesh and Sri Lanka, and how their governments have tackled the issue.

RUSI's **Military Sciences** research group examines the utility of military power through an examination of policy and practice – from strategic concepts to technical platforms. In 2019-20, this group:

- Published a paper revealing that Britain lacks a competitive warfighting capability in a potential conflict in Eastern Europe against Russia. The paper achieved worldwide coverage.
- The group's Martial Power programme published a series of papers examining the role of the UK military and the challenges it faces ahead of the 2020 Integrated Review of Security, Defence, Development and Foreign Policy.
- The Modern Deterrence Project published several influential reports identifying methods of enlisting civilians in national security and resilience, and in developing a better model of overall national resilience to shocks. Ahead of the Coronavirus lockdown, the project made the case for national 'resilience training' for teenagers, and to strengthen supply chains to withstand unforeseen events.
- Organised a series of high-profile conferences involving the global military community including its flagship Land Warfare Conference, Strategic Command Conference and Modern Deterrence Conference.

RUSI's **Organised Crime and Policing** research group is dedicated to understanding and addressing current and future organised crime and policing challenges, in the UK and globally. In 2019-20, this group:

- Published an influential report on the use of machine learning and artificial intelligence in policing and law enforcement.
- Began a partnership with GCHQ to assist government thinking on the use of artificial intelligence for national security purposes.
- Initiated RUSI's inaugural Annual Security Lecture with keynote speaker Metropolitan Police Commissioner Cressida Dick.
- Made two substantial contributions to the Police Foundation strategic review of policing as well as the review of serious and organised crime led by Sir Craig Mackey.
- Gave early warning of the organised crime challenge posed by new operating conditions as the Coronavirus pandemic began to take hold.
- Developed key financial investigation resources for practitioners in southern and eastern Africa working against the illegal wildlife trade, continued to be a leading voice in the discussion on financial approaches to combatting the illegal wildlife trade in Africa.
- Released a comprehensive report on the future of UK-EU Law Enforcement Information Sharing after Brexit.
- Won a four-year extension to their EU-funded project CRIMSON a Critical Maritime Routes (CMR) Programme under the Instrument contributing to Stability and Peace (IcSP). The overall goal of the CMR is to increase maritime security and safety at sea, thereby helping to secure global shipping and trading lines of communication.

RUSI's **Proliferation and Nuclear Policy** research group has a strong track record of tackling the full range of nuclear weapons issues, and is in the process of expanding to cover chemical and biological weapons issues in more depth. The group's work includes:

- Addressing North Korean WMD proliferation challenges by supporting CFC's counter-proliferation finance activities and running two major projects of its own. The first, Project Sandstone, pioneers open source intelligence techniques to monitor and report on North Korean proliferation networks; its work has been carried in international media, and has informed sanctions enforcement by UN Security Council. The second is a major effort, in partnership with two other organisations, to generate technical models of North Korea's WMD complex and to identify options for verification of disarmament.

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- Convening public and private discussions on issues ranging from the Iranian and North Korean nuclear programmes, to the future of the Nuclear Non-Proliferation Treaty, and the impact of machine learning on strategic stability. It hosted the launch of the House of Lords International Relations Committee's 2019 report on the international non-proliferation regime, and leads the UK delegation to the France-UK-US Trilateral Nuclear Dialogues.
- Analysing UK nuclear weapons policy issues across the board. It addresses challenges of developing and sustaining expertise through the UK Project On Nuclear Issues; it has critically assessed the UK's record on technical disarmament verification research; it has supported the UK government's Integrated Review; and it pays particular attention to the status and conduct of the UK's replacement nuclear warhead programme.

The research group works closely with its counterparts in other institutions, and has in the past year formally collaborated with the Center for Nonproliferation Studies, the Centre for the Study of Existential Risk, the Center for Strategic and International Studies, the Ditchley Foundation, Fondation pour la recherche stratégique, and Verification Research, Training and Information Centre. Project Sandstone has published joint investigations with *The Times*, the *New York Times* and the *Wall Street Journal*.

RUSI's **Terrorism and Conflict** research group offers an evidence-based approach to countering violent extremism and understanding conflict and terrorism. In 2019-20, this research group:

- Concluded work with the Global Research Network on Terrorism and Technology, including reports mapping the future jihadist information ecosystem, and guidance for technology companies evaluating third party definitions of terrorism and terrorist entities.
- Hosted a conference on Lessons learned from P/CVE Youth Mentorship in Nairobi, Kenya as part of the European Union funded STRIVE programme conducted by RUSI in the Horn of Africa.
- Contributed to discussions on the repatriation of the families of foreign fighters from ISIS held strongholds in Syria and Iraq.
- Initiated research on the Prevention Project, a major research study analysing 'what can work, and what has not worked' in P/CVE interventions worldwide.
- Continued innovative work through the EU funded STRIVE programme in Afghanistan and the Horn of Africa to look at research and methods for strengthening resilience to violent extremism. Achieved global feature for their work on youth mentorship in Nairobi.

RUSI's **Leadership Centre** develops the skills, knowledge and awareness needed for governments and security practitioners operating in today's international security environment. In 2019-20, the Centre delivered:

- A training course on strategic military planning to officers from Qatar's Ministry of Defence.
- Conducted an intensive diplomatic training course for diplomats of the Qatari Ministry of Foreign Affairs.
- Delivered a three-week course on Strategic Analysis in Morocco.

Lectures, conferences and events

- Over the year, the Institute has hosted over 133 events (2018-19: 157), many of which are open to members of the public. 4,500 people (2019: 4,800) registered to attend these events. Key speakers included: Dame Cressida Dick, Metropolitan Police Commissioner; The Honourable Dr Mark T Esper, US Secretary of Defense; General Sir Nick Carter, Chief of the Defence Staff, UK Ministry of Defence; His Excellency Adel Al-Jubeir, Minister of State for Foreign Affairs, Kingdom of Saudi Arabia; Ambassador Dr Monica Juma, Cabinet Secretary for Foreign Affairs, Republic of Kenya; Admiral (rtd.) Tomohisa Takei, Japan Maritime Self-Defense Force; General Michael Garrett, Commanding General, U.S. Army Forces Command; David Lewis, Executive Secretary, Financial Action Task Force; Air Marshal Richard Knighton CB, Deputy Chief of the Defence Staff (Military Capability), UK Ministry of Defence; Professor Philip Bobbitt, Director of the Center on National Security, Columbia Law School; Congresswoman Elissa Slotkin, US House of Representatives; Admiral Tony Radakin CB ADC, First Sea Lord and Chief of the Naval Staff, Royal Navy; Senator Hélène Conway-Mouret, France and Lisa Osofsky, Director of the Serious Fraud Office.

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- RUSI was part of an international consortium that organised 'NATO Engages', a forum hosted on the eve of the London NATO Leaders Summit on December 2019. Speakers included Prime Ministers Justin Trudeau of Canada, Mark Rutte of the Netherlands, Erna Solberg of Norway, President Andrzej Duda of Poland and NATO Secretary General Jens Stoltenberg.
- RUSI also had a very busy conference agenda, including annual policy conferences on Land Warfare, Missile Defence and Space, Integrating Information Manoeuvre Conference, Strategic Command, Britain in the World after Brexit, and Maritime Security,
- RUSI hosted its first Annual Security Lecture, it also organised events around International Women's Day, LGBT+ in the armed forces. Ahead of the December 2019 General Election, RUSI also hosted an election debate between representatives of the three main parties.
- For the second year, RUSI opened its doors to the public as part of London Open House (see below).
- The Institute has also organised Breakfast Briefings for its members and Chairman's Circle dinners for major stakeholders featuring a range of keynote speakers including: Lord Evans of Weardale KCB DL, former Director-General of MI5; Dr Christopher Ford, US Assistant Secretary for International Security and Non-proliferation and Lord Hogan-Howe, former Commissioner of the Metropolitan Police.
- As social distancing restrictions were enforced because of Covid-19 in March 2020, RUSI continued its busy events schedule through webinars.

Publications and Outreach

The Institute disseminated its research through its bimonthly periodical, the RUSI Journal, Newsbrief digest and the RUSI website, with over one hundred 'Commentary' articles. This year the RUSI Newsbrief also became available as a subscriber product.

In 2019/20, RUSI published over 63 research papers covering a broad range of questions on the issues of the day, from the UK's foreign and defence policy after Brexit to North Korean actions in contravention of UN sanctions. These papers highlight the innovative and topical nature of the research undertaken at the Institute and its relevance to the security and defence debate in the UK and internationally.

In addition, the work published in our periodicals - the RUSI Journal, RUSI Newsbrief, RUSI Defence Systems - continues to act as a bridge between policy, academia and the public, bringing together policymakers, civil society organisations, the private sector, researchers and the wider public to understand better both the latest developments and the long-term trends related to defence and security.

RUSI is a 'go-to' think tank for the media on defence and security issues, and its research is widely cited. Last year, the Institute had 23,128 media mentions (2019: 22,836).

In 2019-20 the website had 620,293 users, up 20% from the previous year. This reflects the increasing amount of content produced by RUSI, complemented by sustained social media campaigns encouraging engagement. The RUSI Twitter account has over 75,000 Twitter followers (2018: 53,000, 2019: 65,000).

RUSI also produced a regular stream of multimedia content, including RUSI events coverage and short videos with RUSI experts. There were over 211,000 views of videos on the Institute's YouTube channel (2018: 131,000, 2019: 162,000). This year also saw the initiation of two new podcast series, On the Cusp with Elisabeth Braw, and Suspicious Transaction Report by the Centre for Financial Crime and Security.

Membership

RUSI maintains a relationship with a large community of individuals and organisations. RUSI members have access to the very best defence and security analysis and events and are introduced to a network of peers, specialists and decision-makers. Our membership packages are tailored to suit large and small organisations, companies and governments, as well as individuals at various stages in their career.

The individual membership packages range from web-only memberships to standard, platinum and RUSI ambassador memberships, with special rates for Under 35s, Over 65s, students and military officers. For organisations, the Institute offers standard, major and platinum corporate membership packages, as well as bespoke packages, and concessionary corporate rates for diplomatic and regimental organisations.

In 2019-20, RUSI's individual membership stood at 1,712 (2019: 1,624). The Institute has 141 corporate members. Steps were taken to deliver a better service to members and grow our membership by reorganising the team and appointing a Director of Membership.

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RUSI Library of Military History

The RUSI Library of Military History is a unique collection of national and cultural importance, which underscores the Institute's heritage and its charitable purpose to promote and advance naval and military history. The collection is dedicated to developing our knowledge of conflict, shaping theoretical approaches to modern defence and security thinking, and engaging more widely in social and cultural discourses.

Over the last year, the Library activities included the following:

- The RUSI Museum, 1831-1962 and Digitising the Archive: Jacqui Grainger, RUSI Librarian, and Dr Kristen Schuster, King's College London, have collaborated on digitising the archive with Digital Humanities MA students. They have presented papers at four conferences in the UK and the Netherlands and will have a paper published on their work in 2020. Kristen has also written about this work in a news post on the library pages of the RUSI website. Jacqui has successfully applied for a Techne AHRC Collaborative Doctoral Award, in conjunction with the University of Westminster, for the project: The 'lost' museum: a history of empire in objects.
- Women, the Institute and its Collections: the Institute's librarian presented papers at two conferences on this theme and had an article published in ALISS Quarterly, a written version of the conference papers is available on the library pages of the RUSI website.
- Open House London: The Library successfully organised RUSI's second contribution to the internationally significant architecture festival by opening its doors to the wider public and offering a tour that explained the Institute's role and history through the architecture of Sir Aston Webb and its collections.
- RUSI Sculpture Collection & ART UK: as part of a National Heritage Lottery funded project ART UK have been adding public sculpture to their collections. RUSI was successful in an application for the RUSI sculpture collection to be added, the sculpture has been photographed and will be accessible on the Art UK website in 2020.

Fundraising

In September 2018, RUSI commenced a fundraising initiative to secure £9 million for the first phase of the campaign to refurbish RUSI's iconic building at 61 Whitehall. Lord Hague, Sir John Scarlett, Sir Mick Davis, Karin von Hippel and RUSI's Development Director, Paul Summerfield have worked extraordinarily hard to lead the appeal and ensure this year has been successful. As at 31 March 2020, £1,772,886 has been received (The 1831 Fund, Google, Inc and the 61 Whitehall Fund), and significant further pledges have been made.

RUSI is most grateful to The Starr International Foundation, The Law Family Charitable Foundation, The Garfield Weston Foundation, Sir Mick Davis, The Exilarch's Foundation, Mr Laurence Geller, the Hintze Family Charitable Foundation, Google and many others for their pledges and donations.

Section 162A of the Charities Act 2011 requires charities to make a statement regarding fundraising activities. Although we do not undertake widespread fundraising from the general public, the legislation defines fund raising as "soliciting or otherwise procuring money or other property for charitable purposes". Such amounts receivable are presented in our accounts as "Donations, grants and gifts" and include legacies.

In relation to the above we confirm that all solicitations are managed internally, without involvement of commercial participators or other third parties. The day-to-day management of all income generation is delegated to the executive team, who are accountable to the trustees.

The charity has not entered into any agreement or undertaking to be bound by any regulatory scheme, and hence the charity does not consider it necessary to comply with any voluntary code of practice.

However RUSI carries out appropriate due diligence on all potential supporters. RUSI has not received any complaints in relation to fundraising activities.

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FINANCIAL REVIEW

Financial Position

The Institute has performed well in the year, with total income up by £3,125,136 on the previous 12 months, to £12,995,277, of which £9,750,484 (2019: £10,867,281) is in unrestricted funds. The principal source of funding is research activity, which accounts for 77% of total gross income. Other important sources of funding are membership subscriptions, donations, conferences and events, facilities/room hire, and publications. Costs remain under tight control, and charitable expenditure is 95% of total expenditure. The Institute has net income for the year of £3,232,808 (2019: £1,754,384), of which a surplus of £1,031,149 is in unrestricted funds and a surplus of £2,201,659 in restricted funds. The Institute's freehold property at 61 Whitehall was also revalued, resulting in a revaluation deficit of £650,000. Overall the net movement in funds was £2,582,808 (2019: £2,979,384).

The Institute owns the freehold of its headquarters building at 61 Whitehall. The freehold of the building has been valued at £12.75 million, resulting in a cumulative revaluation of £7,017,977 (and an in-year loss of £650,000) which forms the major part of the revaluation reserve.

The balance sheet shows net current assets of £4,579,192 (2019: £3,073,951); the figure for current liabilities on the balance sheet includes subscriptions in advance of £562,142, a non-cash item, which will be recognised as income in 2020-21. Net assets at year-end have increased from £11,689,529 to £14,272,337.

Incorporated in these results is the financial performance of the Institute's subsidiary RUSI Trading Ltd. The turnover of RUSI Trading Ltd is £579,290 (2019: £636,976) and the net profit for the year is £256,055 (2019: £388,584).

These results also include those relating to the Royal United Services Institute (Nairobi) Limited, a company controlled by the Institute and incorporated in Kenya and limited by guarantee. RUSI (Nairobi) undertakes local research work on behalf of the Institute, on an exclusive basis, and does not have any additional trading activities. During the year, the Institute remitted funds totalling £333,914 (2019: £498,664) for this purpose. The expenses incurred in relation to the research projects undertaken by RUSI (Nairobi) are included within the consolidated statement of financial activities. At 31 March 2020, RUSI (Nairobi) retained cash at bank and in hand of £41,560 (2019: £56,383).

Reserves

The Institute's total funds at 31 March 2020 stand at £14,272,337, of which £3,023,907 (2019: £822,248) is restricted and not available for the general purposes of the charity. Of unrestricted funds, £7,957,562 (2019: £8,607,562) is invested in the RUSI building and its heritage assets; the general fund stands at £3,290,868 (2019: £2,259,719).

RUSI defines its free reserves as the general fund. Two years ago, the trustees set a target for the Institute to aim to maintain, in normal circumstances, unrestricted reserves sufficient to cover future operating expenditure for at least six months. At 31 March 2020, the unrestricted reserves of £3,290,868 represented approximately five and a half months of budgeted expenditure for the year ending 31 March 2021. The trustees believe that over time the six-month target can be achieved, but it will require existing income streams to be increased and new sources of funding to be secured, as well as continued rigorous control of costs. Whilst it is still possible that in the future the trustees may decide to use some of the unrestricted reserves to fund the redevelopment of 61 Whitehall, this is not now likely to happen until the uncertainties of the COVID-19 crisis are over.

Risks

The trustees retain overall responsibility for risk management and, through the Finance and Performance Committee, the Director-General, and senior management, identify, evaluate and manage the risks faced by the Institute. A register of risks is maintained which includes a description of the risks and uncertainties, together with the controls in place and actions required to manage those risks and this list is reviewed and refreshed regularly throughout the year.

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Four principal risks are believed to be facing the Institute at the current time:

- The effects of the coronavirus pandemic continue to be felt not just at RUSI, but across the UK economy and worldwide. The Institute will not be immune to the effects of a serious and prolonged economic downturn.
***Plan/strategy to manage this risk:** The Institute maintains close contact with its major funders and is constantly monitoring its research income pipeline so that it can receive early warning of any issues and react accordingly. RUSI also has a very diverse list of funders, both geographically and by sector. So far, RUSI has also been able to adapt rapidly to new working arrangements, thanks to the flexibility and talents of its staff, and we expect this to continue. The Institute not only continues to deliver on current projects, but also is well-placed to take advantage of new research opportunities that will inevitably arise because of this crisis. Finally, if it becomes necessary, RUSI will utilise its general reserves to avert any short term problems that cannot be overcome by other measures.*
- The data security and IT systems of the Institute are compromised in some way leading to a loss of data and possible breach of the Data Protection Act 1998 and GDPR.
***Plan/strategy to manage this risk:** The Institute takes cyber security very seriously and constantly strives for improvement. Over the last few years a series of measures, including regular training for the Institute's staff and increased monitoring of its systems, have been put in place, and RUSI has held the Cyber Essentials Plus accreditation since 2017. Nevertheless, the Institute and its staff continue to be vigilant and aware that a cyber-attack is always a possibility. Contact is maintained with the NCSC (National Cyber Security Centre).*
- A terrorist attack occurs in one of the Institute's Whitehall buildings, or close to one of those buildings.
***Plan/strategy to manage this risk:** The Institute works closely with the police and MOD security as well as its own security advisers to mitigate this risk.*
- The reputation of the Institute, not only for the high quality of its research, but also for its independence, is an asset that is highly-prized. The Institute's reputation could potentially be at risk either by association, for example a scandal attached to a funder, or for something that is in one of the Institute's outputs, which may be the subject of a fake news report.
***Plan/strategy to manage this risk:** The Institute has in place guidelines for carrying out due diligence procedures wherever appropriate. Its research outputs are evidence-based, and subject to rigorous internal review. All research staff must adhere to a Research Ethics Code of Conduct and receive training in the same.*

Plans for Future Periods

The Institute has a five-year strategic plan that was drawn up and approved by the trustees in 2016-17. The plan reinforces RUSI's core values and purposes, as set out above, whilst setting objectives for the five year period (2017-2022) which can be summarised as follows:

- Research – to grow the Institute's research income in a judicious and targeted manner, whilst at the same time ensuring that research outputs are of the highest quality.
- Membership and legacy – to grow all membership tiers whilst also improving the quality offered to members. RUSI will also work to safeguard its historical legacy and widen the public access to the collections.
- Courses and training – to build on recent success in running diplomatic and military courses and to develop a growing profile in this area through the establishment of the RUSI Leadership Centre, possibly making more courses available online.
- Fundraising - to establish a permanent fundraising infrastructure at RUSI (now done) and to raise funds for the transformation of 61 Whitehall and to support the Institute more generally. The granting of planning permission in April 2018 for the redevelopment and refurbishment of 61 Whitehall is a major milestone in this process and a first step towards achieving the Institute's aim of moving the RUSI staff back into its flagship building in the heart of Whitehall, whilst also carrying out much-needed refurbishment works to bring the building up to 21st century standards.
- Events and outreach activities – to build on the Institute's position as one of the UK's leading professional fora for national and international defence and security issues. RUSI will ensure the highest quality of publications whilst continuing to manage the transition to electronic platforms and strengthening the Institute's brand name in the defence and security space.

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- Financial – to generate sufficient surplus funds to build up an operating reserve to protect the Institute against the inevitable ups and downs of research and other income. This process is now well underway, and, based on our budget for 2020-21, we expect it to continue, although we accept there is an additional element of uncertainty introduced by the COVID-19 crisis

The trustees' perspective of the future direction of the Institute is influenced by the financial difficulties and uncertainties that have beset the Institute throughout its long history. However, the acquisition of the freehold of 61 Whitehall five years ago transformed the Institute's balance sheet and, for the first time, set the Institute on a secure financial footing. In addition, the continued growth and strong performance of the research business over the last four years has allowed the Institute to establish an unrestricted reserve. The trustees intend to build on these encouraging advances, and to develop the Institute to its full potential, whilst remaining prudent in the management of financial risk.

STRUCTURE, GOVERNANCE AND MANAGEMENT

RUSI is a UK registered charity and the governing document is a Royal Charter dated 22 February 1860.

RUSI recognises that good governance in a charity is fundamental to its success. RUSI and its trustees are continually working towards achieving the highest standards of governance, by reference to the principles and recommended practice of the Charity Governance Code (July 2017).

The Council of Trustees is accountable to the membership of the Institute, and all its members are elected at the Annual General Meeting or at a Special General Meeting. The Council of Trustees is responsible for appointing a Nominating Committee to provide advice on its nominations and co-options for the position of Chair, Vice-Chair and elected members. The Council meets at least four times a year. Once elected, the Institute has an induction, training and education programme in place for trustees. The term of office for trustees (other than the Chair and Vice-Chair) is four years; for the Chair and Vice-Chair it is five years.

The Council of Trustees bears the legal responsibility for the oversight of the Institute and its finances as defined in UK Law and the Institute's Charter of Incorporation and Bye-Laws and resolutions. The trustees advise the Director-General on matters relevant to the management of the business of the Institute, and are responsible for the appointment of the Director-General and Chief Finance Officer. One of the Institute's four Standing Committees is the Finance and Performance Committee which reviews finances, performance, risk management, audit and reporting of the Institute and its subsidiaries.

The Director-General is the Chief Executive of the Institute and Secretary to the Council of Trustees. He or she is responsible for the day-to-day activities and current business of the Institute, including the management of the staff, to whom the Director-General may delegate duties. The trustees, acting on the advice of the Remuneration Committee, set the remuneration and benefits of the Director-General and Deputy Director-General.

The Institute's Advisory Board provides advice to the Director-General on the development of the Institute's programmes and agenda, including fundraising for the long-term benefit of the Institute. Members of the Advisory Board may be called upon from time-to-time to contribute in other ways, relevant to their expertise and experience.

RUSI Trading Limited is the wholly owned trading subsidiary of the charity. Its results are consolidated within the group financial statements (see note 9 for further details).

The following organisations are also controlled by RUSI:

RUSI (US) Foundation, a US 501 (c) (3) tax-exempt charity with its own board of trustees,

Royal United Services Institute (Nairobi) Limited, a company incorporated in Kenya and limited by guarantee.

RUSI Europe, an AISBL established in Belgium.

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FOR DEFENCE AND SECURITY STUDIES
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REFERENCE AND ADMINISTRATIVE DETAILS

The charity registration number is 210639.

The principal address of the charity is:

Whitehall
London
SW1A 2ET

The Patron

Her Majesty The Queen

The President

His Royal Highness The Duke of Kent KG, GCMG, GCVO, ADC

Senior Vice President

General (Ret'd) David Petraeus

Vice Presidents

The Rt Hon the Lord Hutton of Furness
Vice Admiral Rory McLean CB OBE

Trustees

The Rt Hon Douglas Alexander
The Rt Hon the Baroness Ashton GCMG (retired 28 May 2019)
Ambassador Sylvie-Agnès Berman
Sir Roger Bone KCMG
Mr John Dowdy
Mr Laurence Geller CBE
Mr Nik Gowing
The Rt Hon the Lord Hague of Richmond FRSL – **Chairman**
Ms Jan Hall OBE
General the Lord Houghton of Richmond GCB CBE ADC
Ms Alison Levitt QC
Ms Suzanne Raine
The Lord Ricketts GCMC GCVO
Sir John Scarlett KCMG OBE – **Vice Chairman**
His Grace the Duke of Wellington OBE DL
Mr Ian Willis (retired 18 July 2019)

The Advisory Board

The Rt Hon the Lord Arbuthnot of Edrom
Ms Jane Attwood
Mr Rory Bremner FKC
The Rt Hon the Lord Campbell of Pittenweem CH CBE QC
Mr Chris DiBona
Lieutenant General (Ret'd) Sir Robert Fry KCB CBE
Ms Mina Gerowin
Mr David Giampaolo
Mr Bob Keen
Her Excellency Ms Sarah MacIntosh CMG
Dr Greg Mills
Mr William Nye LVO
Sir Andrew Parker KCB
Mr Harper Reed

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES
ANNUAL REPORT OF TRUSTEES**

Mr Michael Ridley
Dr Rhodri Williams
Ms Caroline Wyatt

Senior Management

Dr Karin von Hippel – **Director-General**
Mrs Deborah Pourkarimi – **Chief Finance Officer and Chief Operating Officer**
Professor Malcolm Chalmers – **Deputy Director-General**
Dr Jonathan Eyal – **Associate Director, Strategic Research Partnerships**

Principal Advisers:

Auditors

PKF Littlejohn LLP
15 Westferry Circus
London
E14 4HD

Bankers

HSBC Bank PLC
69 Pall Mall
London
SW1Y 5EY

Signed on behalf of the Council of Trustees

DocuSigned by:

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Lord Hague of Richmond
Chairman

15 July 2020

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES
STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES**

The trustees are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Law applicable to charities in England and Wales requires the trustees of the charity, to prepare financial statements for each financial period which give a true and fair view of the charity's financial activities during the period and of its incoming resources and application of resources for the period. In preparing financial statements giving a true and fair view, the trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the charity will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the charity and which enable them to ascertain the financial position of the charity and to ensure that the financial statements comply with applicable law and the charity's Royal Charter. 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 ensuring that the Report of the trustees and other information included is prepared in accordance with charity law in the United Kingdom.

ROYAL UNITED SERVICES INSTITUTE FOR DEFENCE AND SECURITY STUDIES

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

Opinion

We have audited the financial statements of the Royal United Services Institute of Defence and Security Studies ("the Parent Charity") and its subsidiaries ("the Group") for the year ended 31 March 2020 which comprise the consolidated statement of financial activities, the consolidated and charity balance sheet, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charity's affairs as at 31 March 2020 and of the Group's 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 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Charity in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphases of matter

We draw attention to note 1a of the financial statements, which describes the Group's assessment of the COVID-19 impact on its ability to continue as a going concern. The trustees have explained that the events arising from the COVID-19 outbreak do not impact the use of the going concern basis of preparation nor do they cast significant doubt about the Group's ability to continue as a going concern for a period of at least 12 months from the date when the financial statements are authorised for issue.

We also draw attention to note 5a of the financial statements, which describes the material valuation uncertainty which the property valuer included in their valuation report on the freehold property at 31 March 2020.

Our opinion is not modified in respect of either of these matters.

Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES
INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES**

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The other information comprises: Annual Report of trustees. The trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 require us to report to you if, in our opinion;

- the information contained in the financial statements is inconsistent in any material respect with the trustees' Annual Report; or
- adequate accounting records have not been kept by the Parent Charity; 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.

Responsibilities of Trustees

As explained more fully in the Statement of Responsibilities of the trustees, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Group's and the Parent Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Group or the parent Charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES
INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES**

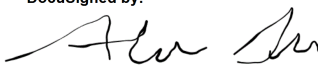
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Charity's trustees, as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the Charity'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 Charity and the Charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

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PKF Littlejohn LLP
Statutory Auditor
London,
United Kingdom

Date: 15 July 2020

PKF Littlejohn LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

PKF Littlejohn LLP is a limited liability partnership registered in England and Wales (with registered number OC342572).

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES**
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2020

		Unrestricted Funds <u>2020</u> £	Restricted Funds <u>2020</u> £	Year to 31 March <u>2020</u> £	Year to 31 March <u>2019</u> £
	<u>Note</u>				
Income					
Donations, grants and gifts		35,957	1,183,484	1,219,441	470,766
Charitable activities		9,413,516	2,061,209	11,474,725	9,072,312
Other trading activities		294,280	-	294,280	325,650
Income from investments		6,831	-	6,831	1,413
		<hr/>	<hr/>	<hr/>	<hr/>
Total income and endowments	2	9,750,584	3,244,693	12,995,277	9,870,141
		<hr/>	<hr/>	<hr/>	<hr/>
Expenditure					
Raising funds		517,720	-	517,720	394,640
Charitable activities		8,201,715	1,043,034	9,244,749	7,721,117
		<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure	3	8,719,435	1,043,034	9,762,469	8,115,757
		<hr/>	<hr/>	<hr/>	<hr/>
Net income/(expenditure)		1,031,149	2,201,659	3,232,808	1,754,384
Other recognised gains					
Revaluation of freehold land and buildings		(650,000)	-	(650,000)	1,400,000
Disposal of heritage assets		-	-	-	(175,000)
		<hr/>	<hr/>	<hr/>	<hr/>
Net movement in funds		381,149	2,201,659	2,582,808	2,979,384
		<hr/>	<hr/>	<hr/>	<hr/>
Balances at 1 April 2019		10,867,281	822,248	11,689,529	8,710,145
		<hr/>	<hr/>	<hr/>	<hr/>
Balances at 31 March 2020		11,248,430	3,023,907	14,272,337	11,689,529
		<hr/>	<hr/>	<hr/>	<hr/>

Of the consolidated income and expenditure, £11,660,481 (2019 £9,233,164) of income and £9,305,397 (2019 £7,867,369) of expenditure relates to the charity.

All of the income and expenditure is derived from continuing activities. There are no other recognised gains or losses other than those stated above.

The accompanying notes on pages 21 to 32 form an integral part of these financial statements.

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES**
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2020

		31 March <u>2020</u>	31 March <u>2019</u>
	<u>Note</u>	£	£
TANGIBLE FIXED ASSETS	5a	13,890,635	14,148,555
HERITAGE ASSETS	5b	1,345,705	1,345,705
		<u>15,236,340</u>	<u>15,494,260</u>
CURRENT ASSETS			
Debtors	6	5,352,160	2,870,881
Cash at Bank		3,673,451	3,244,004
		<u>9,025,611</u>	<u>6,114,885</u>
CREDITORS:			
Amounts falling due within one year			
Creditors	7	4,234,359	3,954,934
Bank loan		212,060	86,000
		<u>4,446,419</u>	<u>4,040,934</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>4,579,192</u>	<u>2,073,951</u>
TOTAL ASSETS less current liabilities		<u>19,815,532</u>	<u>17,568,211</u>
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8	5,543,195	5,878,682
NET ASSETS		<u>14,272,337</u>	<u>11,689,529</u>
FUNDS EMPLOYED			
Unrestricted fund – General fund		3,290,868	2,259,719
Unrestricted fund – Revaluation reserve		7,957,562	8,607,562
Restricted funds	13	3,023,907	822,248
		<u>14,272,337</u>	<u>11,689,529</u>

The financial statements were approved and authorised for issue by the trustees on 15 July 2020.

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Lord Hague of Richmond
Chairman

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Sir John Scarlett KCMG OBE
Vice-Chairman

The accompanying notes on pages 21 to 32 form an integral part of these financial statements.

ROYAL UNITED SERVICES INSTITUTE FOR DEFENCE AND SECURITY STUDIES

CHARITY BALANCE SHEET AS AT 31 MARCH 2020

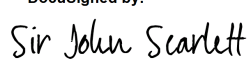
		31 March <u>2020</u>	31 March <u>2019</u>
	<u>Note</u>	£	£
TANGIBLE FIXED ASSETS	5a	13,882,998	14,148,555
HERITAGE ASSETS	5b	1,345,705	1,345,705
INVESTMENT IN SUBSIDIARY	9	100	100
		<hr/>	<hr/>
		15,228,803	15,464,360
CURRENT ASSETS			
Debtors	6	5,399,409	2,761,205
Cash at Bank		2,197,864	3,171,581
		<hr/>	<hr/>
		7,597,273	5,932,786
		<hr/>	<hr/>
CREDITORS:			
Amounts falling due within one year			
Creditors	7	2,798,484	3,772,935
Bank loan		212,060	86,000
		<hr/>	<hr/>
		3,010,544	3,858,935
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		4,586,729	2,073,851
		<hr/>	<hr/>
TOTAL ASSETS less current liabilities		19,815,532	17,568,211
		<hr/>	<hr/>
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8	5,543,195	5,878,682
		<hr/>	<hr/>
NET ASSETS		14,272,337	11,689,529
		<hr/> <hr/>	<hr/> <hr/>
FUNDS EMPLOYED			
Unrestricted fund – General fund		3,290,868	2,259,719
Unrestricted fund – Revaluation reserve		7,957,562	8,607,562
Restricted funds	13	3,023,907	822,248
		<hr/>	<hr/>
		14,272,337	11,689,529
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The financial statements were approved and authorised for issue by the trustees on 15 July 2020

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Lord Hague of Richmond
Chairman

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Sir John Scarlett KCMG OBE
Vice-Chairman

The accompanying notes on pages 21 to 32 form an integral part of these financial statements.

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES**
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

	Year to 31 March 2020 £	Year to 31 March 2019 £
Cash flows from operating activities:		
<i>Net cash provided by (used in) operating activities</i>	1,100,675	2,282,027
Cash flows from investing activities:		
Interest from investments	6,831	1,413
Purchase of property, plant and equipment	(468,632)	(127,158)
Purchase of heritage assets	-	(3,360)
<i>Net cash provided by (used in) investing activities</i>	(461,801)	(129,105)
Cash flows from financing activities:		
Repayments of borrowing	(209,427)	(207,784)
Cash inflows from new borrowing	-	-
<i>Net cash provided by (used in) financing activities</i>	(209,427)	(207,784)
<i>Change in cash and cash equivalents in the reporting period</i>	429,447	1,945,138
Cash and cash equivalents at the beginning of the reporting period	3,244,004	1,298,866
Cash and cash equivalents at the end of the reporting period	3,673,451	3,244,004
Reconciliation of net income/(expenditure) to net cash flow from operating activities		
Net income/(expenditure) for the reporting period (as per The Statement of Financial Activities)	3,232,808	1,754,384
Adjustments for:		
Depreciation charges	76,552	68,428
Dividends, interest and rent from investments	(6,831)	(1,413)
(Increase)/decrease in debtors	(2,481,279)	(276,234)
Increase/(decrease) in creditors	279,425	736,862
<i>Net cash provided by (used in) operating activities</i>	1,100,675	2,282,027
Analysis of cash and cash equivalents		
Cash in hand	3,673,451	3,244,004
<i>Total cash and cash equivalents</i>	3,673,451	3,244,004

The accompanying notes on pages 21 to 32 form an integral part of these financial statements.

ROYAL UNITED SERVICES INSTITUTE FOR DEFENCE AND SECURITY STUDIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1 ACCOUNTING POLICIES

The financial statements of the charity, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), and the Charities Act 2011. This is the third year that the accounts have been prepared under FRS 102.

In preparing the separate financial statements of the parent charity, advantage has been taken of the following disclosure exemptions available in FRS102:

- no cash flow statement is presented for the charity; and
- no disclosure has been given for the aggregate remuneration of the key management personnel of the parent charity as their remuneration is included in the totals for the group as a whole.

The consolidated financial statements include the accounts of Royal United Services Institute for Defence and Security Studies, and its subsidiary undertakings, RUSI Trading Limited, Royal United Services Institute (Nairobi) Limited and RUSI Europe AISBL. The results of the subsidiaries are included on a line-by-line basis.

a) Going concern

After reviewing the charity's forecasts and projections and its reserves, the trustees have concluded that the charity has adequate resources to continue in operation for the foreseeable future. In reaching this conclusion, the trustees have assessed the ability of the charity to continue to operate in spite of the challenges presented by COVID-19. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

b) Recognition of income

All incoming resources are taken to income when there is entitlement to funds, the receipt is probable, and the amount can be measured reliably. The proportion of subscriptions relating to periods subsequent to the balance sheet date are carried forward and included as subscriptions in advance under current liabilities.

Income relating to conferences, events and facilities hire is recognised at the date of the event. Income relating to research contracts is recognised over the duration of the contract term.

c) Expenditure

Expenditure is included on an accruals basis. The total resources expended have been categorised by activity and where costs are incurred in relation to more than one activity, these have been apportioned on the basis of staff time costs (see note 3). Governance costs are those costs which relate to the governance costs of the charity as opposed to those costs associated with raising funds or charitable activity. These costs include external audit, legal advice for trustees and costs associated with constitutional and statutory, and strategic requirements.

d) Operating leases

Amounts payable under operating leases are charged to the Statement of Financial Activities evenly to the date of the next rent review. The benefit of any incentive to sign an operating lease is spread on a straight-line basis over the term of the lease.

e) Tangible fixed assets

Tangible fixed assets costing more than £300 are capitalised. Depreciation on fixed assets is provided on cost in equal annual instalments over their estimated useful lives at the following rates per annum:

Freehold land and buildings	Nil
Furniture and fittings	15%
Office equipment	33%
Leasehold improvements	over the term of the lease

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES**
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

Assets under construction Nil until brought into use

The freehold land and buildings are the Institute's historic Grade II* Listed headquarters building in the Whitehall Conservation Area. They are revalued on a regular basis by obtaining an external valuation at least every five years, subject only to obtaining advice as to the possibility of any material movements between individual valuations.

No depreciation is charged on freehold land and buildings on the basis that it is immaterial. The charity adopts a revaluation model, whereby the property is revalued on a regular basis by obtaining an external valuation, and any depreciation would be written back on the upwards revaluation. The Trustees consider there to be no depreciation on the building element of the property.

f) Fund accounting

Unrestricted funds, being general funds, comprise those monies which may be used towards meeting the charitable objectives of the Institute at the discretion of the Trustees. Restricted funds are monies for which the funder has imposed conditions or restrictions as to their use.

g) Heritage assets

RUSI holds a collection of heritage assets of artistic and historical merit. These include books held in the library as well as paintings and silverware. The paintings and silverware were subject to a professional valuation in March 2018 and the library books were subject to a professional valuation in May 2016, in both cases by external valuers.

The cost of obtaining an annual valuation outweighs the value of any resultant benefit. These values have been reflected in the accounts, as permitted by the Charities SORP (FRS 102). The trustees consider the realisable value, or the value in use, is not less than the carrying value in the financial statements and therefore no depreciation has been charged.

h) Foreign currency

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at net incoming resources.

i) Retirement Benefits

The Institute operates a defined contribution Group Personal Pension Plan. Employer contributions are charged to the Statement of Financial Activities as they become payable in accordance with the rules of the scheme.

j) Trade debtors

Debtors are recognised at recoverable amount including any provision for doubtful debts.

k) Creditors and provisions

Creditors and provisions are recognised where the group has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

l) Judgements in applying accounting policies and key sources of estimation uncertainty

A key judgement made in the preparation of the financial statements relates to the recognition of income from research activity and related accrued or deferred income balances. The key judgement applied is in relation to assessment of the stage of completion of individual projects.

ROYAL UNITED SERVICES INSTITUTE FOR DEFENCE AND SECURITY STUDIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

m) Donated goods, facilities and services

Donated goods, facilities and services provided to the Institute are recognised at fair value, unless it is impractical to measure this reliably. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities.

2 ANALYSIS OF INCOME

	Unrestricted Funds <u>2020</u> £	Restricted Funds <u>2020</u> £	Year to 31 March <u>2020</u> £	Year to 31 March <u>2019</u> £
Donations, grants and gifts	35,957	1,183,484	1,219,441	470,766
Income from charitable activities				
Conferences and events	298,033	-	298,033	324,635
Research	8,008,043	2,061,209	10,069,252	7,669,418
Subscriptions	973,796	-	973,796	878,537
Publications	133,644	-	133,644	199,722
Income from trading activities				
Facilities / Room hire	294,280	-	294,280	325,650
Bank deposit interest received	6,831	-	6,831	1,413
Total income	9,750,584	3,244,693	12,995,277	9,870,141

In the year ended 31 March 2019, restricted funds income was £700,111 split into £461,786 in the form of donations and £238,325 in the form of research.

3 ANALYSIS OF EXPENDITURE

Total costs of activities comprise:

	Staff costs £	Direct costs £	Allocated costs £	Year to 31 March 2020 <u>Total</u> £	Year to 31 March 2019 <u>Total</u> £
Facilities	110,857	84,990	40,316	236,163	200,314
Fundraising	189,528	12,885	79,144	281,557	194,326
Total cost of raising funds	300,385	97,875	119,460	517,720	394,640
Conferences and events	268,109	235,122	111,969	615,200	604,245
Research	2,653,409	3,397,777	1,030,633	7,081,819	5,866,270
Publications	259,643	59,097	108,445	427,185	322,901
Membership	216,328	-	90,342	306,670	215,134
Other support to members	521,394	-	211,158	732,552	547,746
Governance costs	55,985	-	25,338	81,323	164,821
Total cost of charitable activities	3,974,868	3,691,996	1,577,885	9,244,749	7,721,117
	4,275,253	3,789,871	1,697,345	9,762,469	8,115,757

Staff costs above include recruitment and other staff benefit costs of **£18,844** (2019: £5,333) which are not included in the separate analysis of staff costs below. These have been allocated directly to activities based on the time spent in each area of activity. Fundraising includes the costs of generating voluntary income and general promotional costs to raise the profile of the Institute.

ROYAL UNITED SERVICES INSTITUTE FOR DEFENCE AND SECURITY STUDIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Allocated costs comprise:

	<u>Establishment</u>	<u>Finance and Admin</u>	<u>Other</u>	<u>Year to 31 March 2020 Total</u>	<u>Year to 31 March 2019 Total</u>
	£	£	£	£	£
Facilities	20,591	18,721	1,004	40,316	29,963
Fundraising	40,417	36,755	1,972	79,144	48,649
Conferences and events	57,179	52,000	2,790	111,969	108,821
Research	541,556	464,176	24,901	1,030,633	700,220
Publications	55,375	50,368	2,702	108,445	71,774
Membership	46,135	41,956	2,251	90,342	55,780
Other support to members	107,832	98,065	5,261	211,158	142,015
Governance costs	12,942	11,765	631	25,338	113,841
	<u>882,027</u>	<u>773,806</u>	<u>41,512</u>	<u>1,697,345</u>	<u>1,271,063</u>

Allocated costs, which do not include staff costs, have been calculated based on the estimated activity with regard to the staff time costs attributable to each area.

	<u>Group and Charity Year to 31 March 2020</u>	<u>Group and Charity Year to 31 March 2019</u>
	£	£
Total expenditure includes:		
Salaries and wages	3,696,799	2,878,776
Pension costs - defined contributions scheme	185,373	140,592
National insurance	348,845	310,468
Holiday pay reserve	25,392	19,237
	<u>4,256,409</u>	<u>3,349,073</u>

The average number of staff employed during the year was:	86	75
Employees remuneration between £60,000 and £70,000	2	2
Employees remuneration between £70,000 and £80,000	3	6
Employees remuneration between £80,000 and £90,000	2	-
Employees remuneration between £100,000 and £110,000	1	-
Employees remuneration between £120,000 and £130,000	-	1
Employees remuneration between £130,000 and £140,000	1	-
Employees remuneration between £140,000 and £150,000	-	1
Employees remuneration between £150,000 and £160,000	1	-

Karin von Hippel
Malcolm Chalmers
Deborah Pourkarimi
Jonathan Eyal
Andrew Glazzard (until 30 September 2019)

Karin von Hippel £183,301 (2019: £166,563)

No remuneration was paid to the trustees in the current or preceding periods. In the current period no trustee has been reimbursed expenses in connection with services provided to the Charity (2019: No trustee was reimbursed expenses).

The Institute is registered under the Charities Act 2011 and accordingly it is not liable for corporation tax on its income, including capital gains, arising from charitable activities.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

5a. TANGIBLE FIXED ASSETS – Group and Charity

	Freehold land & buildings £	Assets under construction £	Other Tangible Fixed Assets £	Total £
Cost or value				
At 1 April 2019	13,400,000	631,154	985,153	15,016,307
Additions	-	9,349	459,283	468,632
Revaluation	(650,000)	-	-	(650,000)
At 31 March 2020	12,750,000	640,503	1,444,436	14,834,939
Accumulated depreciation				
At 1 April 2019	-	-	867,752	867,752
Charge for the year	-	-	76,552	76,552
At 31 March 2020	-	-	944,304	944,304
Net book amount				
At 31 March 2020	<u>12,750,000</u>	<u>640,503</u>	<u>500,132</u>	<u>13,890,635</u>
At 31 March 2019	<u>13,400,000</u>	<u>631,154</u>	<u>117,401</u>	<u>14,148,555</u>

All the fixed assets of the Institute are held for charitable purposes.

The net book amount of £500,132 (2019: £117,401) in relation to other tangible fixed assets comprises leasehold improvements of £393,846 (2019: £18,654); office equipment of £96,376 (2019: £84,789); and furniture and fittings of £9,910 (2019: £13,958).

A full valuation of freehold land and buildings was undertaken by Savills, a firm of chartered surveyors, as at 31 March 2019. This was updated through a desktop valuation as at 31 March 2020 to give an indicative opinion of fair value at £12.75 million. In the light of the COVID-19 pandemic, the valuation provided by Savills as at 31 March 2020 is reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation- Global Standards.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

5b. HERITAGE ASSETS—Group and Charity

	Paintings Silverware, Furniture Marble £	Library Books £	Total £
Cost or value			
At 1 April 2019	897,560	448,145	1,345,705
Additions	-	-	-
Disposal	-	-	-
Net Book Amount At 31 March 2020	897,560	448,145	1,345,705
At 31 March 2019	897,560	448,145	1,345,705

1. Paintings and silverware were subject to an external professional valuation in March 2018 by Bonhams Valuers and Auctioneers and were valued at £718,640 on an open market basis taking account of expected selling costs. Library books were subject to an external professional valuation in May 2016 by Bernard Quaritch Limited (who are antiquarian booksellers) and were valued at £447,000 on an open market basis taking account of expected selling costs. The historical cost of Paintings, Silverware and Library Books is not available.

2. The Siborne model of the Waterloo Campaign was valued by Bonhams Valuers and Auctioneers in May 2012 at £350,000. The model is currently on display at the National Army Museum ("NAM"), and it was agreed during 2018/19 that the model should be owned jointly (on a 50/50 basis) between RUSI and NAM.

Five year summary of heritage asset transactions

	2020	2019	2018	2017	2016
Additions					
Purchases	-	-	227	918	1,797
Donations	-	3,360	-	-	-
Disposals					
Carrying value	-	175,000	-	-	-
Sales proceeds	-	-	-	-	-

6 DEBTORS

	Group Year to 31 March 2020 £	Charity Year to 31 March 2020 £	Group Year to 31 March 2019 £	Charity Year to 31 March 2019 £
Trade debtors	3,177,430	3,137,175	1,584,721	1,396,543
Sundry debtors and prepayments	2,174,730	2,140,505	1,286,160	1,285,702
Amounts owed by group undertaking	-	121,729	-	78,960
	<u>5,352,160</u>	<u>5,399,409</u>	<u>2,870,881</u>	<u>2,761,205</u>

ROYAL UNITED SERVICES INSTITUTE FOR DEFENCE AND SECURITY STUDIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7 CREDITORS	Group Year to 31 March <u>2020</u> £	Charity Year to 31 March <u>2020</u> £	Group Year to 31 March <u>2019</u> £	Charity Year to 31 March <u>2019</u> £
Trade creditors	648,364	621,274	841,717	814,750
Sundry creditors and accruals	645,147	609,624	685,688	530,656
Deferred income	2,940,848	1,567,586	2,427,529	2,427,529
	<u>4,234,359</u>	<u>2,798,484</u>	<u>3,954,934</u>	<u>3,772,935</u>
Analysis of movement in deferred income Group and charity				
	Balance at 1 April <u>2019</u> £	Income released <u>in year</u> £	Income deferred <u>in year</u> £	Balance at 31 March <u>2020</u> £
Deferred research income	2,032,372	(9,844,659)	10,190,993	2,578,706
Subscriptions in advance	395,157	(973,796)	1,140,781	562,142
	<u>2,427,529</u>	<u>(10,818,455)</u>	<u>11,331,774</u>	<u>2,940,848</u>
8 AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	Group Year to 31 March <u>2020</u> £	Charity Year to 31 March <u>2020</u> £	Group Year to 31 March <u>2019</u> £	Charity Year to 31 March <u>2019</u> £
Loans	5,543,195	5,543,195	5,878,682	5,878,682
Loans are repayable as follows:-				
	Group Year to 31 March <u>2020</u> £	Charity Year to 31 March <u>2020</u> £	Group Year to 31 March <u>2019</u> £	Charity Year to 31 March <u>2019</u> £
Within one year	212,060	212,060	86,000	86,000
Between two and five years	625,967	625,967	758,929	758,929
After five years	4,917,228	4,917,228	5,119,753	5,119,753
	<u>5,755,255</u>	<u>5,755,255</u>	<u>5,964,682</u>	<u>5,964,682</u>

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Loans consist of the following advances:

1. £200,000 repayable on 14 February 2022 and bearing interest at a fixed rate of 3.09% for the entire duration of the loan. The group is making repayments of £3,594.29 per month. The amount outstanding at 31 March 2020 was £80,367 of which £40,000 was due within one year.
2. A £5.8 million loan for the purpose of assisting with the purchase of the freehold interest in 61 Whitehall. The term of the loan is 10 years from 27 March 2015 and the interest rate is 2.5% per annum over the Bank of England base rate. However, from 27 March 2018, for a period of 60 months, the interest rate has been fixed at 3.75% during which period there will be 60 capital-and-interest repayments of £28,505.24. The loan is secured by a first legal charge over the freehold property at 61 Whitehall.
3. £230,000 repayable on 29 November 2022 and bearing interest at a fixed rate of 3.38% for the entire duration of the loan. The group is making repayments of £4,107.87 per month. The amount outstanding at 31 March 2020 was £127,357 of which £46,000 was due within one year.

9 INVESTMENT IN SUBSIDIARY

RUSI Trading Limited (company number 3147032) was incorporated on 16 January 1996 with an authorised share capital of 1,000 shares of £1 each. The issued and fully paid-up capital is £100. RUSI Trading Limited is wholly owned by the Institute and its principal activity in the year was the provision of function and conference activities.

RUSI Trading Limited's profit and loss account for the year ended 31 March 2020 was as follows:

	Year to 31 March 2020 £	Year to 31 March 2019 £
Turnover	579,290	636,976
Expenses	323,235	248,392
Profit for the year before gift aid	256,055	388,584
Qualifying charitable donation to RUSI	(256,055)	(388,584)
Profit for the year	<u><u>-</u></u>	<u><u>-</u></u>

The profit in the year to 31 March 2020 was £256,055 (2019: £388,584) and this amount was paid under deed of covenant to the Royal United Services Institute for Defence and Security Studies.

At 31 March 2020 RUSI Trading Limited had assets of £130,959, liabilities of £130,859 and funds of £100.

10 RELATED PARTIES

The Institute controls, through the ability to appoint the majority of trustees, a US Not for Profit organisation **RUSI (US) Foundation**, which has a tax status of 501 (C) 3. This is used as a conduit between US Foundations and the Institute in the UK.

The Institute also controls **Royal United Services Institute (Nairobi) Limited**, a company incorporated in Kenya and limited by guarantee. RUSI (Nairobi) undertakes local research work on behalf of the Institute, on an exclusive basis, and does not have any additional activities. During the year, the Institute remitted funds totalling £333,914 (2019: £498,664) for this purpose. The expenses incurred in relation to the research projects undertaken by RUSI (Nairobi) are included within the consolidated statement of financial activities. At 31 March 2020 RUSI (Nairobi) retained cash at bank and in hand of £41,560 (2019: £56,383).

During 2018/19 the Institute established RUSI Europe, an international not-for-profit organisation ("AISBL") based in Brussels. RUSI Europe is controlled by the Institute through the ability to appoint the Board of Directors. At 31 March 2020, RUSI Europe retained cash at bank and in hand of £1,386,341 (2019: Nil).

ROYAL UNITED SERVICES INSTITUTE FOR DEFENCE AND SECURITY STUDIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

11 LEASE OBLIGATIONS

The Institute had total future commitments under non-cancellable operating leases in respect of land and buildings, and equipment, as follows:

	Land & Buildings	Equipment	Year to 31 March <u>2020</u>	Year to 31 March <u>2019</u>
	£	£	£	£
Due within one year	390,000	35,645	425,645	355,237
Due after one year and within five years	1,478,750	106,161	1,584,911	41,706
Due in more than five years	-	5,845	5,845	
	<u>1,868,750</u>	<u>147,651</u>	<u>2,016,401</u>	<u>396,943</u>

12 ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted <u>funds</u> £	Restricted <u>funds</u> £	Total <u>funds</u> £
Fund balances at 31 March 2020 are represented by:			
Tangible fixed assets	15,236,340	-	15,236,340
Current assets	6,001,704	3,023,907	9,025,611
Current liabilities	(4,446,419)	-	(4,446,419)
Long term liabilities	(5,543,195)	-	(5,543,195)
Total net assets	<u>11,248,430</u>	<u>3,023,907</u>	<u>14,272,337</u>

	Unrestricted <u>funds</u> £	Restricted <u>funds</u> £	Total <u>funds</u> £
Fund balances at 31 March 2019 are represented by:			
Tangible fixed assets	15,494,260	-	15,494,260
Current assets	4,445,837	822,248	5,268,085
Current liabilities	(3,194,134)	-	(3,194,134)
Long term liabilities	(5,878,682)	-	(5,878,682)
Total net assets	<u>10,867,281</u>	<u>822,248</u>	<u>11,689,529</u>

ROYAL UNITED SERVICES INSTITUTE FOR DEFENCE AND SECURITY STUDIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

13 RESTRICTED FUNDS

	Balance 1 April 2019 £	Income £	Expenditure £	Balance 31 March 2020 £
The Thales Charitable Trust	7,838	-	300	7,538
The 1831 Fund	26,772	-	-	26,772
The Patron's Fund	2,500	-	2,500	-
Google, Inc	100,844	-	-	100,844
61 Whitehall Fund	461,786	1,183,484	-	1,645,270
Research grants and donations fund	222,508	2,061,209	1,040,234	1,243,483
	<u>822,248</u>	<u>3,244,693</u>	<u>1,043,034</u>	<u>3,023,907</u>

	Balance 1 April 2018 £	Income £	Expenditure £	Balance 31 March 2019 £
The Thales Charitable Trust	7,993	-	155	7,838
The 1831 Fund	26,772	-	-	26,772
The Patron's Fund	2,500	-	-	2,500
Google, Inc	100,844	-	-	100,844
61 Whitehall Fund	-	461,786	-	461,786
Research grants and donations fund	-	238,325	15,817	222,508
	<u>138,109</u>	<u>700,111</u>	<u>15,972</u>	<u>822,248</u>

Purpose and use of restricted funds:

The Thales Charitable Trust – to support youth and education programmes at the Institute.

The Centre for Financial Crime and Security Studies – to support the Centre's programme of work in the area of financial crime and illicit finance.

The 1831 Fund – for investment in research and in the Institute's historic headquarters at 61 Whitehall.

The Patron's Fund – to support a programme of preservation and digitisation of historic documents held by RUSI's Library of Military History.

Google, Inc – to support fitting out a fully equipped audio-visual studio at 61 Whitehall.

61 Whitehall Fund – for the redevelopment of the Institute's building at 61 Whitehall.

Research grants and donations fund – to provide funding for a number of specific ongoing research projects currently being undertaken by the Institute.

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14 PRIOR YEAR FIGURES

Prior year Statement of Financial Activities for the year ended 31 March 2019.

		Unrestricted Funds <u>2019</u>	Restricted Funds <u>2019</u>	Year to 31 March <u>2019</u>
	<u>Note</u>	£	£	£
Income				
Donations, grants and gifts		8,980	461,786	470,766
Charitable activities		8,833,987	238,325	9,072,312
Other trading activities		325,650	-	325,650
Income from investments		1,413	-	1,413
		<hr/>	<hr/>	<hr/>
Total income and endowments	2	9,170,030	700,111	9,870,141
		<hr/>	<hr/>	<hr/>
Expenditure				
Raising funds		394,640	-	394,640
Charitable activities		7,705,145	15,972	7,721,117
		<hr/>	<hr/>	<hr/>
Total expenditure	3	8,099,785	15,972	8,115,757
		<hr/>	<hr/>	<hr/>
Net income/(expenditure)		1,070,245	684,139	1,754,384
Other recognised gains				
Revaluation of heritage assets		1,400,000	-	1,400,000
Disposal of heritage assets		(175,000)	-	(175,000)
		<hr/>	<hr/>	<hr/>
Net movement in funds		2,295,245	684,139	2,979,384
Balances at 1 April 2018		8,572,036	138,109	8,710,145
		<hr/>	<hr/>	<hr/>
Balances at 31 March 2019		10,867,281	822,248	11,689,529
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>