

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

FINANCIAL STATEMENTS

31 MARCH 2019

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 2019.

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

Research Programme

RUSI has completed a wide-ranging and active programme of research in the year ended 31 March 2019. 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 2018-19, the Institute carried out 103 research projects (2018: 126) and gross research income was £7,669,418 (2018: £5,954,573).

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 2018-19, the Centre:
 - Challenged the effectiveness of the UK's Anti-Money Laundering regime through a research paper, and briefed the House of Commons Treasury Select Committee on the issue.
 - Published a paper arguing that social media companies need to display greater awareness of their vulnerability to supporting terrorist financing.
 - Showed how Communication Service Providers could better deal with the online terrorist threat by learning from longstanding efforts on tackling terrorist financing.
 - Through its new 'Financial Crime 2.0' programme, produced research on the use of data analytics and cyber-dependent financial crime.
 - Advanced the role of the financial sector in reducing human trafficking and modern slavery.
 - Briefed the Houses of Parliament, US Congress, European Parliament and UN on global financial crime.

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- Helped RUSI be a leading authority on sanctions policy (developed with other RUSI research programmes) with the Centre's research forming the basis of a House of Lords EU Committee report.
- With RUSI's National Security Studies group, launched a research and capacity building programme to disrupt illicit funds earned from Illegal Wildlife Trade. RUSI experts from both teams were involved in a high-profile Illegal Wildlife Trade Conference in October 2018 hosted by the UK government, and were instrumental in the creation of the Wildlife Financial Taskforce, launched on the eve of the conference by His Royal Highness the Duke of Cambridge.
- RUSI's **Defence, Industries and Society** research group promotes understanding of defence as a complex enterprise, embracing the public and private sectors. In 2018-19, this research group:
 - Published an influential paper calling for a major rethink on housing provision for UK armed forces personnel. The report was taken up in Parliamentary debates and authors subsequently invited to join the government's Experts Panel Group.
 - Published a major research report on the UK defence industrial strategy, including the economics of UK defence, which significantly helped inform government thinking on the Combat Air Strategy.
 - Led a UK delegation to the Australia-UK Defence and Industry Strategic Dialogue in Sydney, with a second session due to be held in the UK in September 2019. The Dialogue is part of the Australia-UK Defence Ministers' Strategic Defence Dialogue.
- RUSI's **International Security Studies** research group analyses security and foreign policy developments in key countries and regions across the world. In 2018-19, this research group:
 - Published a major, globally cited report on Chinese influence and interference operations in the UK, revealing vulnerabilities in academia, politics and technology infrastructure.
 - Helped RUSI be among the first Western thinktanks to host policymakers involved in the creation of China's new aid agency.
 - Highlighted the challenges and opportunities for the UK in China's Maritime Silk Road Policy, particularly after Brexit.
 - Organised a conference in Beijing in April 2019 on China's efforts in Afghanistan.
 - With the Military Sciences research group, published a major report and set up an accompanying website on the use of combat drones in the Middle East.
 - Co-hosted bilateral dialogues between Russian and British think-tankers.
- 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 2018-19, this group:
 - Continued research in its Martial Power programme, which aims to provide UK decision makers with a deeper evidence base to feed into the next Strategic Defence and Security Review. This year the research team engaged with more than 9,500 political and military figures around the world.
 - Established the Modern Deterrence project, which has quickly become influential, triggering action by NATO, the Bank of England and numerous European defence ministries who have engaged with RUSI to establish new approaches to defence.
 - Published new research on UK, French, German and US efforts to produce new combat aircraft and systems.
 - Organised a unique conference in January 2019 bringing together government and private sector stakeholders to consider space as a critical part of the UK's national infrastructure.
 - With the International Security Studies research group, published a report and accompanying website on the use of combat drones in the Middle East.
 - Published a paper on Iran's capabilities and objective, warning of conflict if adversaries overestimate the country's regional strength and miscalculate their strategic intention of regime survival.
- RUSI's **National Security Studies** group researches major issues such as terrorism, espionage, organised crime, policing and cyber threats, and how best to deal with them. In 2018-19, this research group:
 - Published research and recommendations on machine learning algorithms and policing, which were praised by Metropolitan Police Commissioner Cressida Dick in a public lecture, and reflected in the Police Foundation's own paper on the topic.
 - With other RUSI research teams, established a major research network on terrorism and technology supported by Facebook, Google and Microsoft.
 - Continued its successful countering violent extremism (CVE) programme implemented on behalf of the European Union in Kenya. A similar programme is now being developed by RUSI on behalf of the EU in Afghanistan.

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- Published a major agenda-shaping paper on the state of the CVE field, identifying challenges and opportunities for donors, implementers and beneficiaries. The paper was launched in New York, Brussels and London with senior level support from the UN, the EU and numerous governments.
 - Convened the Strategic Hub on Organised Crime (SHOC), a unique forum bringing together academic experts, policy makers and practitioners.
 - Published a paper revealing how e-commerce and social media platforms are being exploited for the sale of illicit tobacco products.
 - Launched a major new programme on cyber security, including the publication of a paper on the creation of the National Cyber Security Centre by Robert Hannigan, the former Director of GCHQ.
 - With RUSI's Centre for Financial Crime and Security, launched a research and capacity building programme to disrupt illicit funds earned from Illegal Wildlife Trade in East and Southern Africa. RUSI experts from both teams were involved in a high-profile Illegal Wildlife Trade Conference in October 2018 hosted by the UK government.
- **RUSI's Proliferation and Nuclear Policy programme** tackles a wide range of nuclear weapons issues, from deterrence to disarmament, from non-proliferation to nuclear security. To this established portfolio it has begun to add additional research activity on chemical and biological weapons issues. In 2018-19, this research group:
 - Substantially expanded its flagship next-generation initiative for nuclear scholars and professionals, the UK Project On Nuclear Issues, working closely with partners to help address issues of diversity and inclusion in the field
 - Working with the Institute's Centre for Financial Crime and Security Studies, developed RUSI into a world-leading authority on sanctions policy and proliferation finance, with its research on the exploitation of the insurance sector by proliferators setting the agenda for government and industry action, and its training on countering proliferation finance delivered in numerous countries.
 - Launched Project Sandstone, an initiative investigating the illicit shipping networks aimed at financing the North Korean nuclear programme, the first report of which revealed connections between Chinese state-owned enterprises and the North Korean arms trade.
 - Published and briefed widely on gradual approaches to denuclearising North Korea and improving regional security.
- **RUSI's Leadership Centre** develops the skills, knowledge and awareness needed for governments and security practitioners in today's security environment. In 2018-19, the Centre:
 - Delivered a training course on strategic military planning to the Qatar Ministry of Defence.
 - Conducted an intensive diplomatic training course for the Qatar 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 157 events (2018: 162), many of which are open to members of the public. 4,800 people (2018: 4,433) registered to attend these events. Key speakers included: General Sir Nick Carter, Chief of the General Staff; Erna Solberg, Prime Minister of Norway; Admiral Sir Philip Jones, First Sea Lord and Chief of the Naval Staff; Air Marshal Phil Osborn, Chief of Defence Intelligence; General Stephen J. Townsend, Commander, US Army Training and Doctrinal Command; Lt Gen Tukur Yusuf Buratai, Chief of Army Staff, Nigerian Army; Ambassador Kay Bailey Hutchison, Permanent Representative of the United States to NATO; Ambassador Sarah MacIntosh, Permanent Representative to the United Kingdom's Delegation to NATO; Chris Coons, US Senator for Delaware; Sir Simon Macdonald, Head of the HM Diplomatic Service; Jüri Luik, Minister of Defence of Estonia; Tom Tugendhat MP, Chair, Foreign Affairs Committee, House of Commons; Admiral Christophe Prazuck, Chief of Staff, French Navy; Nia Griffith MP, Shadow Secretary of State for Defence; Yuval Harari, author and Izumi Nakamitsu, UN Under-Secretary General.
- RUSI also had a very busy conference agenda, including annual policy conferences on Land Warfare, Missile Defence and Sea Power and specialist conferences on Artificial Intelligence and Lethal Autonomy; and the role of Space in Critical National Infrastructure.

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- For the first time, RUSI took part in London Open House, with over 225 members of the public visiting the Institute's historic building. The Institute also hosted an exhibition showcasing art produced by veterans as well as artists with a general interest in war, conflict and the human experience.
- The Institute also organised a series of Breakfast Briefings for its members, and Chairman's Circle dinners for major stakeholders featuring a range of keynote speakers including: Sir Kim Darroch, British Ambassador to the USA; Patrick Calvar, former director general of DGSI, the French Security Service; Ehud Olmert, Former Prime Minister of Israel and Jeremy Fleming, Director of GCHQ.

Publications and Outreach

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

In addition, the Institute published 48 reports and papers, the majority of which were freely available to the public. These included:

- Three Whitehall Papers: 'Security in Northern Europe: Deterrence, Defence and Dialogue'; 'Strategic Hedging in the Arabian Peninsula: The Politics of the Gulf-Asian Rapprochement'; 'Making Mogadishu Safe: Localisation, Policing and Sustainable Security'.
- Whitehall Reports on Machine-Learning and Policing and Deradicalisation and Disengagement in Somalia.
- Occasional Papers on Personal Security of People in British Public Life and UK Cyber Security.

RUSI's research is widely cited in the media, as are our experts who are the first port-of-call for comment on developing news stories in defence and security. Last year, the Institute had 26,640 mentions in the media (2018: 26,265).

In 2018-19 the website had 514,000 users, up 14% from the previous year. A large proportion arrived at the website via sustained social media campaigns. There were over 65,000 Twitter followers (2018: 53,000) and over 29,000 Facebook "likes" (2018: 28,000).

The Institute also produced a regular stream of multimedia content including RUSI events and short videos with RUSI experts. There were over 162,000 views of RUSI videos on the Institute's YouTube channel (2018: 131,000). This year we also initiated a new podcast series, *In Context*, where Director-General Karin von Hippel hosted conversations with key figures in defence, security and business.

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, and concessionary corporate rates for diplomatic and regimental organisations.

In 2018-19, RUSI's individual membership stood at 1,642 (2018: 1,668). Concession Membership (Under 35, Over 65 and Military Officers) grew to 542 (2018: 530). RUSI's corporate membership grew from 129 last year to 145 this year.

This year RUSI took steps to enhance its membership further by offering, from September 2018, fifteen Continuing Professional Development accredited events.

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RUSI Library of Military History

The RUSI Library of Military History (RLMH) 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.

During 2018-19, the Library initiated various activities, including:

- **World War One:** Remembering the RUSI members, who were recipients of the Victoria Cross and were killed in WW1, through a series of articles in the *RUSI Journal* and the RLMH news on the Library pages of the website.
- **The RUSI Museum, 1831-1962:** The RUSI Librarian presented papers on the history of the 'lost' RUSI Museum at conferences in 2018 for both the Library and Information History Group and the Museums and Galleries History Group.
- **Open House London:** The Library successfully organised RUSI's first 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.
- **Biggin Hill Memorial Museum (BHMM):** RLMH partnered with BHMM to provide use of the image of the Dame Laura Knight painting of the WAAFs Henderson and Turner on duty in the bunker at Biggin Hill, for use in their museum exhibition and on selected stationery.
- **Digitising the Archive:** building on the participative learning of last year's King's College London MA Digital Humanities students, this year's cohort for Research Data Management were involved in participative learning creating sustainable data management plans.

Fundraising

In September 2018, RUSI commenced a fundraising initiative to secure £9 million for the restoration, rejuvenation and modernisation of RUSI's iconic building at 61 Whitehall.

Led by a fundraising group comprising Lord Hague, Sir John Scarlett, Sir Mick Davis, Karin von Hippel and RUSI's new Development Director, Paul Summerfield, some success has been achieved in the first six months of activity. As at 31 March 2019, £488,558 has been received (The 1831 Fund and the 61 Whitehall Fund), including a grant of £250,000 from The Garfield Weston Foundation, and significant further pledges have been made.

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 professional fund-raisers, 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.

RUSI has not received any complaints in relation to fundraising activities. Our terms of employment require staff to behave reasonably at all times; as we do not approach individuals for funds we do not have particularise this to fundraising activities, nor do we consider it necessary to design specific procedures to monitor such activities.

FINANCIAL REVIEW

Financial Position

The Institute has performed well in the year, with total income up by £2,506,298 on the previous 12 months, to £9,870,141, of which £9,170,030 (2018: £7,262,999) is in unrestricted funds. The principal source of funding is research activity, which accounts for 78% of total gross income. Other important sources of funding are membership subscriptions, donations, conferences and events, facilities/room hire, and publications. Costs remain

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under tight control, and charitable expenditure is 95% of total expenditure. The Institute has net income for the year of £1,754,384 (2018: £745,009), of which a surplus of £1,070,245 is in unrestricted funds and a surplus of £684,139 in restricted funds. Certain heritage assets were revalued in the year resulting in a loss of £175,000, but the Institute's freehold property at 61 Whitehall was also revalued, resulting in a revaluation surplus of £1.4m. Overall the net movement in funds was £2,979,384 (2018: £778,159).

The Institute owns the freehold of its headquarters building at 61 Whitehall. The freehold of the building has been valued at £13.4 million, resulting in a revaluation of £7,667,977 which forms the major part of the revaluation reserve.

The balance sheet shows net current assets of £2,073,951 (2018: £589,441); the figure for current liabilities on the balance sheet includes subscriptions in advance of £395,157, a non-cash item, which will be recognised as income in 2019-20. Net assets at year-end have increased from £8,710,145 to £11,689,529.

Incorporated in these results is the financial performance of the Institute's subsidiary RUSI Trading Ltd. The turnover of RUSI Trading Ltd is £636,976 (2018: £388,415) and the net profit for the year before gift aid is £388,584 (2018: £224,670).

These results also include those relating to 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 £498,664 (2018: £282,468) 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 2019, RUSI (Nairobi) retained cash at bank and in hand of £56,383 (2018: £56,218).

Reserves

The Institute's total funds at 31 March 2019 stand at £11,689,529, of which £822,248 (2018: £138,109) is restricted and not available for the general purposes of the charity. Of unrestricted funds, £8,807,562 (2018: £7,382,562) is invested in the RUSI building and its heritage assets; the general fund stands at £2,259,719 (2018: £1,189,474).

RUSI defines its free reserves as the general fund. In last year's report, 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 2019, the unrestricted reserves of £2,259,719 represented approximately four and a half months of budgeted expenditure for the year ending 31 March 2020. 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. It is also possible that in the future the Trustees may decide to use some of the unrestricted reserves to fund the redevelopment of 61 Whitehall.

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.

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

- 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*

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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 effects of the decision by the UK to leave the European Union, now scheduled to happen in October 2019, are still largely unknown. A critical factor for the Institute will be the continuation of its ability to access funding for its research from EU sources.
Plan/strategy to manage this risk: *The Institute continues to monitor the situation closely. In 2018-19 a new legal entity – "RUSI Europe" – was established, based in Brussels. RUSI also continues to work hard to diversify its income streams and therefore reduce reliance on EU funding sources.*
- 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 which 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 next five years 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.
- 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.
- 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 2019-20, we expect it to continue.

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 four 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 in the last three years has allowed the Institute to begin the process of building up 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.

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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 remuneration and benefits of the Director-General are set by the Trustees, acting on the advice of the Remuneration Committee.

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. 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. RUSI Europe did not trade in 2018/19.

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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

Dr James Hay
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
Sir Roger Bone KCMG
Mr John Dowdy
Mr Nik Gowing
The Rt Hon the Lord Hague of Richmond – **Chairman**
General the Lord Houghton of Richmond GCB CBE ADC
Mr Andrew Jamieson (retired 19 July 2018)
Ms Alison Levitt QC
Mr Stephen Phipson CBE (retired 19 July 2018)
Sir John Scarlett KCMG OBE – **Vice Chairman**
His Grace the Duke of Wellington OBE DL
Mr Ian Willis

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
Mr Mark Fox
Lt General (Ret'd) Sir Robert Fry KCB CBE
Ms Mina Gerowin
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Her Excellency Ms Sarah MacIntosh CMG
Dr Greg Mills
Mr William Nye LVO
Mr Andrew Parker
Ms Kathryn Parsons MBE
Mr Harper Reed
Mr Michael Ridley

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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**
Dr Andrew Glazzard – **Senior Director, National Security Studies**

Principal Advisers:

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Bankers

HSBC Bank PLC
69 Pall Mall
London
SW1Y 5EY

Signed on behalf of the Council of Trustees



Lord Hague of Richmond
Chairman

4 July 2019

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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 2019 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 2019 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.

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.

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.

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

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 determines 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.

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.

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

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.

BDO LLP

BDO LLP
Statutory Auditor
London,
United Kingdom

Date: 18 July 2019

BDO 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.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES**
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2019

	<u>Note</u>	Unrestricted Funds 2019 £	Restricted Funds 2019 £	Year to 31 March 2019 £	Year to 31 March 2018 £
Income					
Donations, grants and gifts		8,980	461,786	470,766	111,170
Charitable activities		8,833,987	238,325	9,072,312	7,058,886
Other trading activities		325,650	-	325,650	193,624
Income from investments		1,413	-	1,413	163
		<hr/>	<hr/>	<hr/>	<hr/>
Total income and endowments	2	9,170,030	700,111	9,870,141	7,363,843
		<hr/>	<hr/>	<hr/>	<hr/>
Expenditure					
Raising funds		394,640	-	394,640	269,397
Charitable activities		7,705,145	15,972	7,721,117	6,349,437
		<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure	3	8,099,785	15,972	8,115,757	6,618,834
		<hr/>	<hr/>	<hr/>	<hr/>
Net income/(expenditure)		1,070,245	684,139	1,754,384	745,009
Other recognised gains					
Revaluation of freehold land and buildings		1,400,000	-	1,400,000	-
Revaluation of heritage assets		-	-	-	33,150
Disposal of heritage assets		(175,000)	-	(175,000)	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net movement in funds		2,295,245	684,139	2,979,384	778,159
		<hr/>	<hr/>	<hr/>	<hr/>
Balances at 1 April 2018		8,572,036	138,109	8,710,145	7,931,986
		<hr/>	<hr/>	<hr/>	<hr/>
Balances at 31 March 2019		10,867,281	822,248	11,689,529	8,710,145
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Of the consolidated income and expenditure, £9,233,164 (2018 £6,975,352) of income and £7,867,369 (2018 £6,516,582) 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 20 to 30 form an integral part of these financial statements.

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

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2019

		31 March 2019		31 March 2018	
	Note	£	£	£	£
TANGIBLE FIXED ASSETS	5a		14,148,555		12,689,825
HERITAGE ASSETS	5b		1,345,705		1,517,345
			15,494,260		14,207,170
 CURRENT ASSETS					
Debtors	6	2,870,881		1,931,540	
Cash at Bank		3,244,004		1,298,866	
			6,114,885		3,230,406
 CREDITORS:					
Amounts falling due within one year					
Creditors	7	3,954,934		2,554,965	
Bank loan		86,000		86,000	
			4,040,934		2,640,965
NET CURRENT ASSETS/(LIABILITIES)			2,073,951		589,441
TOTAL ASSETS less current liabilities			17,568,211		14,796,611
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8		5,878,682		6,086,466
NET ASSETS			11,689,529		8,710,145
 FUNDS EMPLOYED					
Unrestricted fund – General fund			2,259,719		1,189,474
Unrestricted fund – Revaluation reserve			8,607,562		7,382,562
Restricted funds	13		822,248		138,109
			11,689,529		8,710,145

The financial statements were approved and authorised for issue by the Trustees on 4 July 2019.



Lord Hague of Richmond
Chairman



Sir John Scarlett KCMG OBE
Vice-Chairman

The accompanying notes on pages 20 to 30 form an integral part of these financial statements.

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

CHARITY BALANCE SHEET
AS AT 31 MARCH 2019

		31 March 2019		31 March 2018	
Note	£	£	£	£	£
TANGIBLE FIXED ASSETS	5a		14,148,555		12,689,825
HERITAGE ASSETS	5b		1,345,705		1,517,345
INVESTMENT IN SUBSIDIARY	9		100		100
			15,494,360		14,207,270
CURRENT ASSETS					
Debtors	6	2,761,205		1,967,549	
Cash at Bank		3,171,581		1,171,119	
		5,932,786		3,138,668	
CREDITORS:					
Amounts falling due within one year					
Creditors	7	3,772,935		2,463,327	
Bank loan		86,000		86,000	
		3,858,935		2,549,327	
NET CURRENT ASSETS/(LIABILITIES)			2,073,851		589,341
TOTAL ASSETS less current liabilities			17,568,211		14,796,611
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8		5,878,682		6,086,466
NET ASSETS			11,689,529		8,710,145
FUNDS EMPLOYED					
Unrestricted fund – General fund			2,259,719		1,189,474
Unrestricted fund – Revaluation reserve			8,607,562		7,382,562
Restricted funds	13		822,248		138,109
			11,689,529		8,710,145

The financial statements were approved and authorised for issue by the Trustees on 4 July 2019

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The accompanying notes on pages 20 to 30 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 2019

	Year to 31 March <u>2019</u> £	Year to 31 March <u>2018</u> £
Cash flows from operating activities:		
<i>Net cash provided by (used in) operating activities</i>	2,282,027	859,869
Cash flows from investing activities:		
Interest from investments	1,413	163
Purchase of property, plant and equipment	(127,158)	(608,626)
Purchase of heritage assets	(3,360)	(227)
<i>Net cash provided by (used in) investing activities</i>	(129,105)	(608,690)
Cash flows from financing activities:		
Repayments of borrowing	(207,784)	(79,570)
Cash inflows from new borrowing	-	230,000
<i>Net cash provided by (used in) financing activities</i>	(207,784)	150,430
<i>Change in cash and cash equivalents in the reporting period</i>	1,945,138	401,609
Cash and cash equivalents at the beginning of the reporting period	1,298,866	897,257
Cash and cash equivalents at the end of the reporting period	3,244,004	1,298,866
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)	1,754,384	745,009
Adjustments for:		
Depreciation charges	68,428	72,486
Dividends, interest and rent from investments	(1,413)	(163)
(Increase)/decrease in debtors	(276,234)	(173,900)
Increase/(decrease) in creditors	736,862	216,437
<i>Net cash provided by (used in) operating activities</i>	2,282,027	859,869
Analysis of cash and cash equivalents		
Cash in hand	3,244,004	1,298,866
<i>Total cash and cash equivalents</i>	3,244,004	1,298,866

The accompanying notes on pages 20 to 30 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 2019

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 and Royal United Services Institute (Nairobi) Limited. 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. 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
Assets under construction	Nil until brought into use

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES**
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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 2019**

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>2019</u> £	Restricted Funds <u>2019</u> £	Year to 31 March <u>2019</u> £	Year to 31 March <u>2018</u> £
Donations, grants and gifts	8,980	461,786	470,766	111,170
Income from charitable activities				
Conferences and events	324,635	-	324,635	202,209
Research	7,431,093	238,325	7,669,418	5,954,573
Subscriptions	878,537	-	878,537	754,353
Publications	199,722	-	199,722	147,751
Income from trading activities				
Facilities / Room hire	325,650	-	325,650	193,624
Bank deposit interest received	1,413	-	1,413	163
	<hr/>	<hr/>	<hr/>	<hr/>
Total income	9,170,030	700,111	9,870,141	7,363,843
	<hr/>	<hr/>	<hr/>	<hr/>

In the year ended 31 March 2018, restricted funds income was £100,844 in the form of donations.

3 ANALYSIS OF EXPENDITURE

Total costs of activities comprise:

	Staff <u>costs</u> £	Direct <u>costs</u> £	Allocated <u>costs</u> £	Year to 31 March <u>2019</u> <u>Total</u> £	Year to 31 March <u>2018</u> <u>Total</u> £
Facilities	85,613	84,738	29,963	200,314	116,256
Fundraising	139,067	6,610	48,649	194,326	153,141
Total cost of raising funds	<hr/> 224,680	<hr/> 91,348	<hr/> 78,612	<hr/> 394,640	<hr/> 269,397
Conferences and events	310,941	184,483	108,821	604,245	529,734
Research	2,000,502	3,165,548	700,220	5,866,270	4,764,900
Publications	205,054	46,073	71,774	322,901	303,444
Membership	159,354	-	55,780	215,134	188,929
Other support to members	405,731	-	142,015	547,746	498,497
Governance costs	50,980	-	113,841	164,821	63,933
Total cost of charitable activities	<hr/> 3,132,562	<hr/> 3,396,104	<hr/> 1,192,451	<hr/> 7,721,117	<hr/> 6,349,437
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,357,242	3,487,452	1,271,063	8,115,757	6,618,834
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Staff costs above include recruitment and other staff benefit costs of **£5,333** (2018: £665) 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 2019

Allocated costs comprise:

	<u>Establishment</u> £	<u>Finance and Admin</u> £	<u>Other</u> £	Year to 31 March 2019 <u>Total</u> £	Year to 31 March 2018 <u>Total</u> £
Facilities	15,410	14,166	387	29,963	21,845
Fundraising	25,019	23,001	629	48,649	32,164
Conferences and events	55,960	51,454	1,407	108,821	87,102
Research	360,111	331,055	9,054	700,220	551,799
Publications	36,912	33,934	928	71,774	61,259
Membership	28,687	26,372	721	55,780	45,363
Other support to members	73,039	67,139	1,837	142,015	114,711
Governance costs	9,177	8,433	96,231	113,841	15,338
	<u>604,315</u>	<u>555,554</u>	<u>111,194</u>	<u>1,271,063</u>	<u>929,581</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.

	Group and Charity Year to 31 March 2019 £	Group and Charity Year to 31 March 2018 £
Total expenditure includes:		
Salaries and wages	2,878,776	2,544,177
Pension costs - defined contributions scheme	140,592	130,197
National insurance	310,468	266,622
Holiday pay reserve	19,237	20,803
	<u>3,349,073</u>	<u>2,961,799</u>

The average number of staff employed during the year was:	75	69
Employees remuneration between £60,000 and £70,000	2	1
Employees remuneration between £70,000 and £80,000	6	4
Employees remuneration between £110,000 and £120,000	-	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	-

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

5a. TANGIBLE FIXED ASSETS – Group and Charity

	Freehold land & buildings £	Assets under construction £	Other tangible fixed assets £	Total £
Cost or value				
At 1 April 2018	12,000,000	533,956	955,193	13,489,149
Additions	-	97,198	29,960	127,158
Revaluation	1,400,000	-	-	1,400,000
At 31 March 2019	13,400,000	631,154	985,153	15,016,307
Accumulated depreciation				
At 1 April 2018	-	-	799,324	799,324
Charge for the year	-	-	68,428	68,428
At 31 March 2019	-	-	867,752	867,752
Net book amount				
At 31 March 2019	<u>13,400,000</u>	<u>631,154</u>	<u>117,401</u>	<u>14,148,555</u>
At 31 March 2018	<u>12,000,000</u>	<u>533,956</u>	<u>155,869</u>	<u>12,689,825</u>

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

The net book amount of £117,401 (2018: £155,869) in relation to other tangible fixed assets comprises leasehold improvements of £18,654 (2018: £37,154); office equipment of £84,789 (2018: £102,191); and furniture and fittings of £13,958 (2018: £16,524).

Freehold land and buildings were revalued at an amount of £13.4 million by Savills, a firm of chartered surveyors, as at 24 April 2019. The valuation was made on an open market basis with reference to market evidence of transaction prices of comparable properties.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

5b. HERITAGE ASSETS—Group and Charity

	Paintings Silverware, Furniture Marble £	Library Books £	Total £
Cost or value			
At 1 April 2018	1,069,200	448,145	1,517,345
Additions	3,360	-	3,360
Disposal	(175,000)	-	(175,000)
Net Book Amount			
At 31 March 2019	897,560	448,145	1,345,705
At 31 March 2018	1,069,200	448,145	1,517,345

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

	2019	2018	2017	2016	2015
Additions					
Purchases	-	227	918	1,797	303
Donations	3,360	-	-	-	-
Disposals					
Carrying value	175,000	-	-	-	-
Sales proceeds	-	-	-	-	-

6 DEBTORS

	Group Year to 31 March 2019 £	Charity Year to 31 March 2019 £	Group Year to 31 March 2018 £	Charity Year to 31 March 2018 £
Trade debtors	1,584,721	1,396,543	1,438,149	1,354,347
Sundry debtors and prepayments	1,286,160	1,285,702	493,391	492,487
Amounts owed by group undertaking	-	78,960	-	120,715
	<u>2,870,881</u>	<u>2,761,205</u>	<u>1,931,540</u>	<u>1,967,549</u>

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7 CREDITORS	Group Year to 31 March <u>2019</u> £	Charity Year to 31 March <u>2019</u> £	Group Year to 31 March <u>2018</u> £	Charity Year to 31 March <u>2018</u> £
Trade creditors	841,717	814,750	312,726	310,318
Sundry creditors and accruals	685,688	530,656	561,950	472,720
Deferred income	2,427,529	2,427,529	1,680,289	1,680,289
	<u>3,954,934</u>	<u>3,772,935</u>	<u>2,554,965</u>	<u>2,463,327</u>
Analysis of movement in deferred income Group and charity	Balance at 1 April <u>2018</u> £	Income released in year <u>2019</u> £	Income deferred in year <u>2019</u> £	Balance at 31 March <u>2019</u> £
Deferred research income	1,334,018	(5,128,726)	5,827,080	2,032,372
Subscriptions in advance	346,271	(886,237)	935,123	395,157
	<u>1,680,289</u>	<u>(6,014,963)</u>	<u>6,762,203</u>	<u>2,427,529</u>
8 AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	Group Year to 31 March <u>2019</u> £	Charity Year to 31 March <u>2019</u> £	Group Year to 31 March <u>2018</u> £	Charity Year to 31 March <u>2018</u> £
Loans	5,878,682	5,878,682	6,086,466	6,086,466
Loans are repayable as follows:-	Group Year to 31 March <u>2019</u> £	Charity Year to 31 March <u>2019</u> £	Group Year to 31 March <u>2018</u> £	Charity Year to 31 March <u>2018</u> £
Within one year	86,000	86,000	86,000	86,000
Between two and five years	758,929	758,929	958,129	958,129
After five years	5,119,753	5,119,753	5,128,337	5,128,337
	<u>5,964,682</u>	<u>5,964,682</u>	<u>6,172,466</u>	<u>6,172,466</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 2019 was £120,240 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 2019 was £170,851 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 2019 was as follows:

	Year to 31 March 2019	Year to 31 March 2018
	£	£
Turnover	636,976	388,415
Expenses	248,392	163,745
Profit for the year before gift aid	388,584	224,670
Qualifying charitable donation to RUSI	(388,584)	(224,670)
Profit for the year	—	—

The profit in the year to 31 March 2019 was £388,584 (2018: £224,670) and this amount was paid under Gift Aid to the Royal United Services Institute for Defence and Security Studies.

At 31 March 2019 RUSI Trading Limited had assets of £261,058, liabilities of £260,958 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. There were no material transactions in the year or balances held by RUSI (US) Foundation at the year end.

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 £498,664 (2018: £282,468) 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 2019 RUSI (Nairobi) retained cash at bank and in hand of £56,383 (2018: £56,218).

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. RUSI Europe did not trade in 2018/19.

Two artworks were donated to the Institute by Dr Jonathan Eyal, a member of the Institute's Senior Management. The artworks were valued at £ 1,360.

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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>2019</u>	Year to 31 March <u>2018</u>
	£	£	£	£
Due within one year	330,372	24,865	355,237	200,295
Due after one year and within five years	-	41,706	41,706	223,874
Due in more than five years	-	-	-	-
	<u>330,372</u>	<u>66,571</u>	<u>396,943</u>	<u>424,169</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 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>
Fund balances at 31 March 2018 are represented by:			
Tangible fixed assets	14,207,170	-	14,207,170
Current assets	3,092,297	138,109	3,230,406
Current liabilities	(2,640,965)	-	(2,640,965)
Long term liabilities	(6,086,466)	-	(6,086,466)
Total net assets	<u>8,572,036</u>	<u>138,109</u>	<u>8,710,145</u>

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13 RESTRICTED FUNDS

	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>

	Balance 1 April 2017 £	Income £	Expenditure £	Balance 31 March 2018 £
The Thales Charitable Trust	9,345	-	1,352	7,993
The Centre for Financial Crime And Security Studies	267,403	-	267,403	-
The 1831 Fund	26,772	-	-	26,772
The Patron's Fund	2,500	-	-	2,500
Google, Inc	-	100,844	-	100,844
	<u>306,020</u>	<u>100,844</u>	<u>268,755</u>	<u>138,109</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.

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 2018.

	<u>Note</u>	Unrestricted Funds <u>2018</u> £	Restricted Funds <u>2018</u> £	Year to 31 March <u>2018</u> £
Income				
Donations, grants and gifts		10,326	100,844	111,170
Charitable activities		7,058,886	-	7,058,886
Other trading activities		193,624	-	193,624
Income from investments		163	-	163
		<hr/>	<hr/>	<hr/>
Total income and endowments	2	7,262,999	100,844	7,363,843
		<hr/>	<hr/>	<hr/>
Expenditure				
Raising funds		269,397	-	269,397
Charitable activities		6,080,682	268,755	6,349,437
		<hr/>	<hr/>	<hr/>
Total expenditure	3	6,350,079	268,755	6,618,834
		<hr/>	<hr/>	<hr/>
Net income/(expenditure)		912,920	(167,911)	745,009
Other recognised gains				
Revaluation of heritage assets		33,150	-	33,150
		<hr/>	<hr/>	<hr/>
Net movement in funds		946,070	(167,911)	778,159
Balances at 1 April 2017		7,625,966	306,020	7,931,986
		<hr/>	<hr/>	<hr/>
Balances at 31 March 2018		8,572,036	138,109	8,710,145
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>