

THE INTERNATIONAL INSTITUTE FOR STRATEGIC STUDIES

England & Wales · Charity number 206504

Details

Other names I I S S

Status Registered

Legal form Charitable company

Company number [00615259](#)

Registered 1962-09-22

Register [View on the Charity Commission register](#)

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Activities

Objects: A) TO PROMOTE ON A NON-PARTY BASIS THE STUDY AND DISCUSSION OF AND THE EXCHANGE OF INFORMATION UPON ANY MAJOR INTERNATIONAL SECURITY ISSUES INCLUDING WITHOUT LIMITATION THOSE OF A POLITICAL, STRATEGIC, ECONOMIC, SOCIAL OR ECOLOGICAL NATURE B) TO PROMOTE CONFLICT RESOLUTION BY FACILITATING DISCUSSION & DIALOGUE & PUBLISHING ANALYSIS ON MAJOR INTERNATIONAL SECURITY ISSUES TO ASSIST & PROMOTE THE RESOLUTION OF CONFLICTS BETWEEN OR WITHIN NATIONS.

Activities: The IISS aims to provide, from an international perspective, the best objective information on military and political developments and to assist in conflict resolution through the conduct of dialogues and conferences, research and publications. Its mission is to promote the adoption of sound policies to further global peace and security and maintain civilised international relations.

Classification

- **How:** Provides Advocacy/advice/information, Sponsors Or Undertakes Research
- **What:** General Charitable Purposes, Education/training, Other Charitable Purposes
- **Who:** Other Defined Groups, The General Public/mankind

Geography

- Bahrain
- Germany
- India
- Singapore
- United States
- City Of London

Finances

Period end	Income	Expenditure	Assets	Employees
2024-09-30	£32,320,794	£25,491,805	£33,739,618	163
2023-09-30	£25,030,000	£25,239,000	£26,272,000	163
2022-09-30	£24,537,986	£23,956,682	£26,772,345	158
2021-09-30	£18,396,133	£17,583,042	£26,061,654	141
2020-09-30	£17,015,618	£16,609,237	£23,973,866	133

Trustees

Name	Role	Appointed
Lord Mark Sedwill	Chair	2024-02-28
BILL EMMOTT		2016-11-17
Caroline Atkinson		2019-04-09
Chung Min Lee		2018-11-21
Dr Grace Skaugen		2019-07-16
Florence Parly		2023-07-11
Hakeem Belo-Osagie		2023-02-22
John Brennan		2022-02-22
Kasper Rorsted		2024-02-28
Matthew John Symonds		2025-02-11
Matthew Symonds		2018-11-21
Neha Aviral		2022-02-22

Accounts

Company Number: 615259
Charity Number: 206504

**THE INTERNATIONAL INSTITUTE FOR
STRATEGIC STUDIES**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2024**

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30 September 2024

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Annual Report and Financial Statements

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STRATEGIC REPORT AND THE REPORT OF THE TRUSTEES

The Trustees present their report for the year ended 30 September 2024. This incorporates the Directors' report, which has been prepared in accordance with the Companies Act 2006 and FRS102, and the Strategic Report. The accounts comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP).

The primary role of the International Institute for Strategic Studies (referred to as 'IISS' or 'the Institute') is to enhance public understanding of questions of international security, help to provide policy makers with facts and analysis to inform and advise their decision-making, and contribute to improved defence diplomacy and conflict resolution.

Strategy

The Institute's medium- to long-term strategy comprises four elements as follows:

1. to provide facts and analysis on the sources of conflict, however caused, which may provoke the use of organised military force, and to examine the changing nature and use of organised force in international affairs;
2. to provide facts and analysis on the nature of political, geopolitical and geo-economic risk and advise governments and the private sector on measures that can be taken to mitigate that risk;
3. to provide an independent platform for intergovernmental consultations on geopolitical and geo-economic issues in private and public settings, supported by the facts and analyses developed by the Institute; and
4. to sustain a network of experts in these matters on the permanent staff, on a part-time consulting basis and also generally among an engaged cohort of the individual membership.

The Institute measures the success of this strategy in the following ways:

- evidence of senior government leaders internationally seeking IISS independent analysis;
- attendance at its dialogues and conferences by government officials, international business and media representatives from around the world;
- evidence that the Institute has contributed to improved defence diplomacy and conflict resolution, as confirmed to IISS by government officials;
- continued diversification of funding from governments, the private sector, charitable foundations and individuals to maintain a significant body of research across a broad range of thematic and regional programmes;
- worldwide demand for its publications and databases.

The Institute achieved the main objectives set by the Trustees for the year, which included the expansion of its research output, convening activity and dissemination of its publications, enhanced digital content, and widening the Institute's international network and global coverage. More details can be found in the *Achievements and Performance* section on pages 3 to 8.

Research, Dissemination and Digital Content

The IISS has continued to develop its digital channels this year and celebrates the continuous growth of our audience reach, including surpassing 200,000 followers on LinkedIn – a key digital channel to engage policymakers as well as corporates with our IISS analysis.

In the past year, the IISS has further developed its evolving digital product portfolio with the beta launch of Cyber Power Matrix and Charting China – engaging new and existing audiences globally. This year has also seen the launch and amplification of the new podcast *Arms Control Poseur*, which is part of the EUNDP Consortium and in season three with over 20 episodes. The Institute has leveraged its new CMS

and digital capabilities to enhance support for existing IISS flagship and new events such as the IISS Prague Defence Summit. Recordings, transcripts and short-format content were made available quickly across the IISS website and digital channels, adding value to audiences' experience.

The IISS website audience has reached over 1.5 million unique users in the past year, with content gathering a total of 4.4 million views. Most website users came from the United States (over 350,000), the United Kingdom (over 170,000), India (over 106,000), France (over 68,000) and Singapore (over 63,000). The website's most viewed pages were the 2024 Shangri-La Dialogue (over 122,000 times), *The Military Balance* (over 110,000), Careers (over 105,000), Online Analysis (over 78,000) and *Military Balance+* (over 63,000). The most viewed Online Analysis article for that period was *Equipment losses in Russia's war on Ukraine mount* by Yohann Michel and Michael Gjerstad (over 54,000 times).

Over the past year the IISS social media following has grown significantly, including a 15% annual increase on LinkedIn, which now has over 200,000 followers and is on track to become the most followed social channel in the IISS portfolio. This has been a result of an increased focus on content, and the use of images and graphics to improve engagement. A recent graphic for the Prague Defence Summit based on the latest IISS Strategic Dossier is a good example of our successful engagement. The post with the visualisation of a F-35 jet's selected suppliers appeared over 226,000 times in users' feeds and is the most viewed post of the year across all channels.

Podcast content continues to be an increased area of focus, the *Sounds Strategic*, *Japan Memo* podcasts and *Arms Control Poseur* podcasts were downloaded over 29,000 times on podcasting platforms and listened to over 8,100 times on YouTube. Alongside the usual media engagement, the Institute organised media roundtables so that IISS experts could brief journalists and respond to questions. IISS experts were in high demand for their analysis and comment on both the Russia/Ukraine and Israel/Hamas wars. The Institute also experienced a growing demand from global print and broadcast media to attend our flagship events.

Convening Power

The Institute continued to extend its platforms for intergovernmental consultation and dialogue, in both private and public settings, to improve defence diplomacy and conflict resolution. In all cases, the Institute was able to create informed debate, develop new networks of contacts and engage governments, the private sector, the international expert and opinion-forming community, and IISS members in both open debates and confidential discussions to improve mutual understanding of differing positions and promote new policy approaches. During the year, the Institute convened 139 events in nine countries with 7,540 attendees participating from over 89 countries.

The Institute also continued to deploy its convening power and analytical excellence informally via meetings between senior researchers and leading government figures and policy makers from a range of countries. At these meetings the Institute leverages its global reach and data-based approach to analysis to provide information on strategically important policy decisions being made at the highest levels.

Global Coverage and International Strategic Network

Investment in analytical expertise and in enhancing the role of its four international offices has been a core focus of the Institute in recent years in order to bring a powerful global perspective to all of its work, as well as engendering the widest possible engagement on issues of international security.

Details about the activities of the international offices can be found on pages 14 to 15.

OBJECTIVES AND PRINCIPAL ACTIVITIES

The Institute's declared objects are '*to promote on a non-party basis the study and discussion of and the exchange of information upon any major international security issues including without limitation those of a political, strategic, economic, social or ecological nature, and to promote conflict resolution by*

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30 September 2024

facilitating discussion and dialogue and publishing analysis on major international security issues to assist and promote the resolution of conflicts between or within nations’.

The Institute aims to achieve these objects by providing to IISS members, governments, international organisations and the wider public the best possible objective information on military and political developments relevant to the prospects, course and consequences of conflict having an important military dimension. In furtherance of its objectives, the Institute:

- delivers a comprehensive research programme committed to advancing wider understanding of constantly evolving global security issues;
- convenes government officials, independent analysts, business leaders and journalists to advance understanding of political, military, economic, environmental and societal trends in the subjects addressed by the Institute's work;
- continues to enhance the online content offered through the iiss.org website to maximise global access to its research and analysis; and
- maintains an international network of influential and knowledgeable individuals, corporate entities, governments and others as an audience for its research and publications.

The Institute's achievements against its objectives are discussed under the heading '*Achievements and Performance*' below.

The Institute's 'statement of values' and 'policy on financial transparency confidentiality and effectiveness', published on the IISS website, reaffirm the IISS's commitment to full independence and excellence in all activities, along with the Trustees' determination that fundraising is maintained with the twin aims of guaranteeing the Institute's independence of thought and analysis, as well as maintaining the Institute's effectiveness as a strategic actor in a complex international environment.

The charity had no fundraising activities requiring disclosure under provisions of section 13 of the Charities (Protection and Social Investment) Act 2016.

ACHIEVEMENTS AND PERFORMANCE

Research Programmes

As an independent, non-partisan and international policy institute, the IISS is committed to advancing wider understanding of the critical security issues of the 21st century and their potential trends or resolution. A comprehensive research programme, which was reviewed and revised in 2022, covers these challenges and responds to them both thematically and regionally. The 30-member IISS Advisory Council, composed of distinguished members from around the world, assists the Institute on the intellectual direction of its activities. The programme has been defined under the broad categories of War, Power and Rules covering five strategic themes and nine regional concentrations:

- | | |
|---|---|
| ▪ Conflict, Security and Development | ▪ Indo-Pacific Defence and Strategy |
| ▪ Defence and Military Analysis | ▪ Japan Chair |
| ▪ Cyber Power and Future Conflict | ▪ Latin America |
| ▪ Geo-Economics and Strategy | ▪ Middle East |
| ▪ Strategy, Technology and Arms Control | ▪ Russia and Eurasia |
| | ▪ South and Central Asian Defence, Strategy and Diplomacy |
| ▪ China | ▪ Southeast Asian Politics and Foreign Policy |
| ▪ European Security and Defence | |

IISS research programmes actively contribute to a range of government and corporate briefings, convene external and IISS member events, deliver podcasts, and produce research and analysis for the wide range of IISS publications. The Institute has paid increasing attention to facilitating dialogue and conflict-

resolution. This is achieved by bringing together parties in 'track-two' meetings, involving non-governmental experts, to discuss differences and consider how common interests can be advanced.

In the period under review, IISS research and research-related activities achieved notable impact on a number of fronts. The following is a list of key examples.

- The Defence and Military Analysis Programme (DMAP) team had a very productive year. In addition to publishing a Strategic Dossier on Building European Defence Capability, the programme produced research reports on Long-range Strike Capabilities in the Asia-Pacific; Turkiye's defence-industrial developments and relationships; the Tempest combat air programme; Evaluating Current Arms-control Proposals: Perspectives from the US, Russia and China; The Global Security Initiative: China's International Policing Activities; and The Impact of the European Defence Fund on Cooperation with Third-country Entities. DMAP continued to organise activities for its Missile Defence Initiative (MDI) programme and published a weekly blog on important defence developments.
- The Strategy, Technology and Arms Control (STAC) programme delivered a major report on Russian Military Thought and Doctrine Related to Non-strategic Nuclear Weapons: Change and Continuity. It also took the lead in a new research report on European military space assets which will be published by the end of the year and contributed to an IISS project on Iran. Moreover, it continued to deliver podcast episodes on arms control and technology issues.
- The Russia and Eurasia programme delivered regular pieces for *Survival* and IISS blogs on major regional developments, notably in relation to the ongoing Russia-Ukraine war; briefings to the UK government, London embassies and corporate members; and media interviews. Roundtables were held in Berlin and Brussels on potential seizure of Russian Central Bank assets and further presentations made on this issue to the Lennart Meri conference and other events. A series of meetings were hosted with senior Ukrainian defence figures, the head of EUCOM research, and the Armenian Foreign Minister.
- The Geo-economics and Strategy Programme continued its work on the evolution of Western economic statecraft, particularly with regard to Western sanctions and export controls on Russia since its full-scale invasion of Ukraine in 2022. The Programme has hosted roundtables and published papers analysing these issues. It has also been active in providing analytical input to governments and companies, particularly in the rapidly evolving area of economic security.
- The IISS Japan Chair Programme generated its third *Adelphi* book, scheduled for publication in early 2025, which considers the effectiveness of Japan's evolving grand strategy against the background of regional threats and domestic changes and constraints. The Programme's *Japan Memo* podcast series continued to expand its subscriber base and the Programme's reach with its key audiences. The Programme also hosted a number of events and webinars, focusing *inter alia* on changes in Japan's defence-industrial base and on the geopolitics of trade and investment regulations.
- The Cyber Power and Future Conflict (CPFC) Programme continued to expand its convening and reach through the 5th Cyber Power Workshop that included heads or deputy heads of cyber intelligence, commanders and deputy commanders from military cyber agencies for the Five Eyes and like-minded countries, as well as industry and subject matter experts. The programme also hosted the 3rd Advanced Technology Workshop in Singapore for defence organisations from 17 countries. CPFC conducted extensive work on the beta version of the Cyber Power Matrix which charts state-linked cyber and disinformation operations as well as ownership of submarine cables and disruptions. The Matrix, launched in October 2024, is the most comprehensive public dashboard to document global expressions of state cyber power over the past decade to present day.
- The Indo-Pacific Defence and Strategy Programme focussed on delivering two on-going cross-IISS research projects: one on South and Southeast Asian perspectives regarding nuclear escalation dynamics in the region, and a second on Southeast Asia's emerging anti-access environment. It also produced Online Analyses on regional security questions, podcasts, and engaged actively in IISS corporate briefings.

- The Southeast Asian Politics and Foreign Policy Programme continued to actively update the Myanmar Conflict Map, produced accompanying reports and delivered briefings on Myanmar and Southeast Asian security. Additionally, the team contributed to other IISS publications – namely, *IISS Strategic Comments* and *IISS Military Balance* Blog. These activities built upon the programme's reputation as the go-to source for independent analysis on Myanmar. With a recently expanded team, the programme's work is broadening to look at new defence and security angles in Southeast Asia.
- The Middle East programme continued to deliver quality analysis to inform policymakers and specialist audiences about the conflicts in the Middle East. Its main research output was an IISS Strategic Dossier entitled *Turbulence in the Eastern Mediterranean: Geopolitical, Security and Energy Dynamics*, a two-year project that looked at the various dimensions of Eastern Mediterranean politics. In addition, the programme team published several short and long-form analyses on the wars between Israel and Hamas, Israel and Hezbollah and Israel and Iran and the rise of maritime threats in the Red Sea. Of note were studies of relations between Afghanistan and the Gulf states, Gulf states' digital strategies and investments, and Gulf geopolitical and financial statecraft. Programme analysts continued to deliver numerous briefings to governments, corporate members and the media.
- The annual 'track 1.5' South Asia Security Conference in Muscat in October 2023 brought together senior officials and experts on regional security, followed by the South Asia Security Forum in Bahrain in July that sought to ease tensions between the two newly re-elected governments of India and Pakistan. The second 'track 1.5' conference on India-China relations in Singapore in July brought together senior officials to seek to build bilateral Confidence Building Measures (CBMs). The annual 'track 1.5' nuclear deterrence and doctrine dialogues were held in Islamabad in March and New Delhi in June. In November 2023 and September 2024, the second and third India-UK 'track 1.5' workshops on defence and security issues were held in New Delhi, with the latter bringing together the Deputy National Security Advisors of both countries. Prior to these meetings, the programme published policy-relevant research to inform and encourage engagement and discussion. The most recent Muscat South Asia Security Conference was held in November 2024.
- Conflict, Security and Development Programme (CSDP) activities included the publication of the *Armed Conflict Survey* (ACS) 2024, as referenced below. Programme work continued around climate security, non-state armed groups, political risks, geopolitical shifts, stabilisation, reconstruction, and conflict monitoring, with the production of online analyses, articles, ACS chapters and events. CSDP conducted field research on security sector reform in Ukraine, organising an international workshop in Berlin. Research was conducted on maritime security in the Red Sea and the Gulf of Aden, as well as on the impact of sanctions on non-state armed actors, with a workshop in November. Both projects, funded by the German Ministry for Foreign Affairs, formed two policy reports published in late 2024.

Publications

With free open-source content now more widely available online, this year the IISS has seen greater demand for its print publications over online, led by the stronger Adelphi series and Survival book sales.

Strategic Comments covered a range of international security and political-military topics in 2024. With both paid offerings through publisher Taylor and Francis, and selected editions offered free via the IISS website, topics published included Iraq's response to the conflict in Gaza, strains in US-Turkiye relations, the coup in Niger, India's relationship with Russia, the Schengen Area expansion in the Balkans, and the state of the Palestinian banking sector.

Launched in February, the Institute's flagship product, *The Military Balance 2024*, provides data and capability assessments for armed forces of over 170 countries. This edition included an assessment of key global defence developments, including the war in Ukraine and China's more assertive foreign and defence policy, as well as a range of regional and national policy and capability assessments. This complemented the defence data relating to national armed forces and their inventories, and defence economics and procurement assessments. The wallchart provided an assessment of critical undersea infrastructure in the Euro-Atlantic.

The Military Balance Plus (MB+) database combines multiple years of data and qualitative assessments with advanced search and graphical capability. During 2024, data holdings expanded further in the defence economics module, with the team expanding the number of budget categories captured. There were developments also to the procurement module, and in the equipment module with the addition of data relating to weapons-fits on combat-capable aircraft. IISS staff continue to develop new platform capability assessments in the database, giving users an assessment of the modernity of a country's inventory. The latest dataset relates to submarines. The database represents a step change in defence analysis for the Institute and its core audiences in government, the armed forces, and private sector.

The Institute's journal, *Survival: Global Politics and Strategy*, published six times per year, provides a platform for many of the leading thinkers in the field of international affairs to analyse and debate strategic questions. The April–May 2024 issue featured a package of articles under the rubric 'Geopolitical Ruptures' that included Ben Rhode's 'Europe Without America', Mustafa Kutlay and Ziya Öniş' 'A Critical Juncture: Russia, Ukraine and the Global South' and Zeno Leoni and Sarah Tzinieris' 'The Return of Geopolitical Blocs'. This year has seen a sharp turn in reader consumption from online articles to print and eBooks.

The annual *Armed Conflict Survey*, launched on 12 December 2024, provided a review of the political, military, and humanitarian dimensions of active armed conflicts globally in the period from 1 July 2023–30 June 2024. The review is complemented by a strategic analysis of regional and global drivers and conflict outlooks, providing unique insights into the geopolitical and geo-economic threads linking conflicts regionally and globally, as well as into emerging flashpoints and political risks to monitor. This edition's regional-focused approach also includes Regional Spotlight chapters on selected key conflict trends of regional and global importance. *Armed Conflict Survey 2024* features the fourth edition of the IISS Armed Conflict Global Relevance Indicator, which compares the global relevance of armed conflicts in terms of their geopolitical impact, as well as their human impact and intensity. This edition also includes maps, infographics, key statistics and the accompanying Chart of Armed Conflict.

The *Adelphi* series is the Institute's principal contribution to policy-relevant, original academic research. In March, Frank Gavin's *The Taming of Scarcity and the Problems of Plenty: Rethinking International Relations and American Grand Strategy in a New Era* was published with a launch at Arundel House, featuring a panel that included John Bew (Foreign Policy Advisor to the UK Prime Minister) followed by promotional events in Washington. June saw the publication of Aaron Connelly and Shona Loong's *New Answers to Old Questions: Myanmar Before and After the 2021 Coup d'État*. Bill Emmott's *Deterrence, Diplomacy and the Risk of Conflict Over Taiwan* was published in July, with a hybrid launch at Arundel House followed by promotional events in Italy and the US.

In June, the latest *Asia-Pacific Regional Security Assessment* (APRSA) launched at the Shangri-La Dialogue, with chapters on the combined-military exercises in the Asia-Pacific, managing Asia-Pacific crises, Anchoring India in the Asia-Pacific, managing the post-coup Myanmar conflict, China's disinformation campaigns in the Asia-Pacific and the Asia-Pacific air-to-air challenge. The 2024 publication included a "digital first" web presence, making the dossier free to read online.

The IISS continued to release publications that are disseminated to governments, businesses, think tanks and important thought leaders. In addition, a new Strategic Dossier, *Building Defence Capacity in Europe: An Assessment* was presented at the inaugural Prague Defence Summit in November 2024. The book evaluates key areas for building defence capabilities in Europe, including recent developments in the transatlantic defence ecosystem, defence spending, defence-industrial production capacity, building more resilient forces, and improving supply-chain security.

Dialogues, Lecture Series and Conferences

The Institute's international dialogues bring government officials together in a combination of formats, and address subjects that they might not be able to coordinate themselves. Under the international auspices of the Institute, it is often easier to arrange for discreet contacts to take place between government officials who wish to meet, but to do so unofficially and away from the public eye. In addition, the Institute organises lecture series and specialist conferences around the globe.

1. The Shangri-La Dialogue

Initiated in 2002, the Annual Asia Security Summit (IISS Shangri-La Dialogue) is the most important regular gathering of defence professionals in the region. Governments, the expert community, and the media have increasingly viewed the substance and tone of exchanges at the Dialogue as important indicators of the state of the region's security. The Shangri-La Dialogue provides a platform for participant countries' defence ministers and other principals to elaborate and clarify their countries' positions on important regional security topics. The Dialogue also allows senior regional defence leaders to develop and enhance cooperation with one another, notably through the hundreds of meetings which occur on the Dialogue's sidelines, aiming to develop a sense of common community and focus in the hope this might facilitate a move towards solutions to the many regional challenges.

The 21st IISS Shangri-La Dialogue convened from 31 May to 2 June 2024 amidst a continued deterioration of the security situation in Europe and the Middle East and apprehension that geopolitical rivalry could spark conflict in the Asia-Pacific. President of the Philippines, Ferdinand Marcos Jr, opened the summit with an impassioned keynote address. Marcos warned that the rules-based order in Asia required reaffirmation by the countries of the region rather than revision and outlined the Philippine efforts in that regard. The conflict in Ukraine, which along with war in Gaza served as a backdrop for Dialogue discussions, took centre stage when Ukrainian President Volodymyr Zelenskyy addressed the seventh plenary session. Zelenskyy made the case for Ukraine's importance to the Asia-Pacific and argued for Asian countries to participate in a peace summit that took place in Switzerland later in June.

The 2024 Dialogue welcomed 581 delegates, including 32 government ministers, 25 chiefs of defence and 5 national security advisers. The Dialogue was attended by 50 national delegations and three international organisations. Hundreds of government meetings took place on the sidelines of the Dialogue, of which the IISS facilitated over 90. Over 40 delegates from the Southeast Asian Young Leaders' Programme (SEAYLP) were welcomed from 21 countries in the Asia-Pacific and beyond who actively engaged in the Dialogue's public sessions and organised discussions with senior officials.

2. The Manama Dialogue

Since its inception in 2004, the IISS Manama Dialogue has become a central element in the Middle East's security architecture, where national leaders and ministers from the Middle East, North America, Europe, Asia, and Africa make major policy statements. The Dialogue also offers government delegations a bespoke occasion to consult bilaterally and multilaterally on the most pressing security and foreign-policy challenges.

The 19th IISS Manama Dialogue was convened from 17 to 19 November 2023. The theme of the Dialogue was 'The Risks and Rewards of Strategic Diversification', which covered a variety of issues including global competition, economic statecraft, and war, diplomacy and attempts at regional de-escalation. The latter was especially important because of Hamas's October attack on Israel and the ensuing war in Gaza. HRH Prince Salman Bin Hamad Al Khalifa, Crown Prince, Deputy Supreme Commander of the Armed Forces and Prime Minister, Kingdom of Bahrain, gave a keynote address dominated by the war in Gaza where he emphasised that "Military conflict or use of force cannot be the final arbiter in international disagreement. Diplomacy and international law must win."

The 2023 Dialogue welcomed more than 560 delegates from 56 countries, including over 50 government delegations. In line with the IISS Manama Dialogue's goal of facilitating military and economic cooperation, 73 bilateral meetings were hosted on the sidelines of the event. Also attending were 30 senior journalists representing major regional and global outlets, alongside a press corps of over 70, providing important coverage and scrutiny. The IISS Manama Dialogue Young Leaders' Programme was also convened for the fifth time, with 27 carefully selected regional young leaders attending in person.

3. Prague Defence Summit

Subsequent to the year-end, the IISS convened the inaugural Prague Defence Summit from 8 to 10 November 2024, a major forum for political, military and industry leaders to discuss the most effective ways to build defence capacity in the Euro-Atlantic region. In his Keynote Address to the Summit,

President of the Czech Republic General (Retd) Petr Pavel asserted that “maintaining a strong transatlantic bond is not merely a strategic choice, but a necessity. A robust US presence in Europe reinforces NATO’s collective defence and sends a clear message to those who intend to threaten peace.”

4. Lecture Series

The IISS Raffles Lecture series invites major figures in Asian and global affairs to speak on matters of international significance. The lectures address questions of defence, international affairs, geo-economics and foreign policy, as well as issues ranging from energy policy, climate change and conflict resolution, to domestic political change. The second IISS Raffles Lecture was given by Poland’s Minister of Foreign Affairs Radosław Sikorski, on 2 September 2024, who discussed the strategic situation in Europe against the backdrop of Russia’s war against Ukraine and the global impact of regional conflicts, while also outlining Poland’s approach to growing geopolitical competition.

Membership

The IISS retains a strong global membership base which comprises a broad spectrum of leading analysts, academics and military and government officials, and international companies. Members are actively connected to international and strategic affairs through access to the Institute’s publicly available research and analysis disseminated via its publications, speaker events, member briefings and international conferences. Individual members are not directly involved in IISS governance, but form part of a unique global network supporting the work of the Institute and extending the Institute’s reach in the world of international affairs. IISS Corporate Membership is designed to enable corporations and institutions to stay on top of world events by giving them a thorough understanding of international affairs, security issues and geopolitical and military conflicts, and to aid their strategic decision-making.

The Institute invites members to participate in discussion meetings at its London headquarters and overseas offices in Washington DC, Manama, Singapore, and Berlin, featuring IISS and guest speakers. Examples of the range of in-person events and webinars held over the past year included:

At a discussion meeting on 2 October 2023 titled *Cooperative Maritime Security in the CENTCOM*, Area of Operations in the Institute’s Manama office, US Naval Forces Central Command (NAVCENT) leader Vice Admiral Brad Cooper discussed current and emerging maritime threats and the strategic challenges that the US Navy faces in the Central Command Area of Operations.

The surprise Hamas attack against Israel raised fundamental questions about Israel’s readiness and cohesion, Hamas’s capabilities, the role of Iran, the probability of a multi-front war, and knock-on effects in the Middle East. In a webinar on *The geopolitics of the Hamas–Israel war*, IISS experts John Raine, Emile Hokayem, Rym Momtaz, Dr Hasan AlHasan and Sir Tom Beckett assessed the situation in Israel and Gaza, focusing on its security and the geopolitical implications for the region.

The vulnerability of critical national infrastructure (CNI) in the maritime domain is a growing security dilemma with apparent attacks on the Nord Stream pipelines in 2022 and more recently with reports that CNI in the Red Sea region has come under attack. In a webinar on *Critical infrastructure: the maritime challenge*, IISS experts Nick Childs, Jonathan Benthall and Robert Wall addressed how this maritime warfare and competition would unfold, the critical players, and what capabilities would be needed to meet these challenges.

In a July webinar on *Changes in Japan’s defence industry*, panellists Professor Michishita from National Graduate Institute for Policy Studies (GRIPS), Oue Sadamasa from International Security Order at the Institute of Geoeconomics and special advisor to the Japanese Minister of Defense, and Sumomo Sayako Director of the International Cooperation Division in the Equipment Policy Department at the Acquisition, Technology and Logistics Agency (ATLA) discussed Japan’s recent shift in defence industry policy and its implications for national security.

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

For the year ended 30 September 2024, total income was £32,322,000 (2023: £25,030,000). The primary reason for this variance was the endowment funding for a newly created position of IISS Senior Fellow for Nuclear Arms Control, Non-Proliferation and Disarmament.

Total expenditure for the year rose modestly to £25,492,000, compared to £25,239,000 in 2023.

After accounting for net gains on investment assets of £927,000 (2023: £110,000 losses); foreign exchange losses of £219,000 (2023: £111,000); and actuarial losses on the defined benefit pension scheme of £70,000 (2023: £70,000); the net movement in funds for the year was a surplus of £7,468,000 (2023: £500,000 surplus).

As at 30th September 2023 and 2022, there was no liability on the defined benefit pension. Under the most recent actuarial valuation funding plan, the IISS had committed to reducing the pension liability through deficit funding payments of £60,000 per year.

Net cash inflow totalled £9,357,000 for the year (2023: £53,000), leaving total cash balances, including investment portfolio cash, of £15,819,000 at the year-end (2023: £6,642,000). The primary reason for the large variance in cash is the receipt of the new endowment funding.

The group reported an improved net current asset position of £3,453,000 (2023: £2,329,000). Total net assets as at 30th September 2024 increased to £33,740,000 (2023: £26,272,000).

Reserves

'Free reserves' are defined as unrestricted funds excluding designated funds and funds represented by tangible fixed assets, other than those financed by external loans.

The Institute's reserves policy has been determined by the Trustees after considering current and projected income streams and the Institute's expenditure profile. To ensure that the Institute is able to successfully meet its objects, the Trustees aim to hold free reserves equivalent to between 3 and 6 months operating expenditure. This target level of reserves will mitigate the risk of income fluctuations causing delays or cancellations to any expenditure commitments and ensure that planned activities can be completed. Furthermore, in the event of a significant drop in income levels there will be sufficient reserves in place to implement any necessary organisational changes.

At 30 September 2024, the Institute held free reserves of £9,291,000 (2023: £7,370,000) which equated to approximately 5.5 months (2023: 5 months) of operating expenditure associated with unrestricted funds. Free reserves comprise IISS unrestricted general funds of £22,512,000, less tangible and intangible fixed assets of £13,221,000. As at 30 September 2024, IISS restricted funds totalled £82,000 (2023: £171,000) and endowment funds totalled £11,146,000 (2023: £4,967,000) with the addition of the second endowment in support of a new IISS-Asia Senior Fellow for Nuclear Arms Control, Non-Proliferation and Disarmament position. The Trustees continue to review the reserves policy in line with the Institute's financial resources.

Investment Policy and Performance

Cazenove Capital Management Ltd. manages the Institute's two investment portfolios. As at 30 September 2024 the market value of the main portfolio was £5,889,000 (2023: £5,231,000) and the asset allocation was: UK equity funds 9% (2023: 10%); UK fixed-interest funds 8% (2023: 13%); International fixed-interest funds 5% (2023: 1%); International equity funds 62% (2023: 56%); Portfolio funds 14% (2023: 18%) and Cash 2% (2023: 2%). Investment income for the year to 30 September 2024 from this portfolio amounted to £120,000 (2023: £109,000).

The overall investment objective of the main portfolio is to maximise its total return by achieving several percentage points above inflation, in line with constraints over risk. Portfolio performance and asset

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allocation are closely monitored by the Investment Committee in conjunction with the portfolio managers. The Institute considers this portfolio to be a long-term investment fund and operational cash flow demands are met through operational surpluses. The Investment Committee has adopted a diversified asset allocation strategy in keeping with its appetite for moderate risk. At 30 September 2024, portfolio returns over the previous year, three years, and five years as compared to UK CPI +4% were as follows:

Total Returns	1 year %	3 years p.a. %	5 years p.a. %
Portfolio	12.6	3.6	5.1
Bench (CPI+ 4%)	6.0	10.5	8.7

The Institute's second portfolio is an expendable endowment fund, invested in a Charity Multi-Asset Fund (CMAF). The CMAF generates an annual pay-out of 4% and enables the Institute to drawdown the approved funds required to meet all costs associated with the Japan Chair research position. At 30 September 2024, the market value of the Japan Endowment Fund was £5,164,000 (2023: £4,996,000) and the asset allocation was Charity Multi-Asset Fund (CMAF) 100% (2023: 100%), of which 72% was equities (2023: 65%).

During the year, the Government of Japan provided funding to establish a second endowment in support of a new IISS-Asia Senior Fellow for Nuclear Arms Control, Non-Proliferation and Disarmament position. The funding was invested with Schroders Asia and the portfolio fund balance at 30 September 2024 was £6,013,000, of which 100% was invested in cash.

The IISS and the Economic Climate

The Institute's Dialogue activities and publications are protected by multi-year agreements that provide contracted levels of income. As referenced above, the Institute has received expendable endowment funding providing guaranteed financial support for two senior research posts.

The Institute's commercial trading subsidiary, Arundel House Enterprises Limited (AHEL), experienced improved commercial trading conditions in relation to its catering and event activities, in addition to strong growth in its consultancy and advisory work.

IISS investment portfolio benefited from the strong equity market performance during 2024. The Investment Committee continues to monitor closely its diverse portfolio of investment funds that includes non-sterling denominated exposure in equities and bonds.

The Institute naturally hedges its foreign currency transactions, minimising conversion as far as possible to avoid exchange rate losses.

Financial health

As outlined in the Financial Review, the Trustees consider the Institute's financial health to be sound. As at 30 September 2024, the Institute held investment assets totalling £17.1 million and cash on the balance sheet of £9.7m with no loan liabilities, compared to investment assets of £4.5 million, £4 million of cash and a building loan liability of £2.4 million in 2014, demonstrating a clear strengthening in the Institute's financial position over the past 10 years.

As a result of the income security provided by the diverse revenue sources and multi-year funding arrangements outlined above, and in considering budgets and forecasts covering the period to 30 September 2027, the Trustees are confident that the Institute can be considered a going concern for the foreseeable future. Accordingly, there are no material uncertainties surrounding the preparation of the financial statements on a going concern basis. The global nature of IISS operations and funding sources has also contributed towards further income diversity that has helped to mitigate risk during this time of continued economic uncertainty.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the Institute and are satisfied that systems are in place to manage exposure to the major risks.

The most significant potential risks, as identified by the Institute's Risk Register, are actively managed in the following manner:

Damage to the Institute's reputation	As reiterated in the Institute's 'Statement of Values' and 'Policy on financial transparency confidentiality and effectiveness', the IISS firmly states and demonstrates its commitment to independence and excellence when conducting all activities, with staff training in place to ensure awareness and understanding of the Institute's policy. Trustees have ultimate oversight over potential donors and funding sources.
A material weakening in the Institute's financial position and funding levels	Continued efforts to diversify revenue streams to ensure no over-reliance on one source of income. Multi-year agreements are in place for key funders. Liquidity and foreign exchange positions are monitored regularly through weekly cash flow forecasts and external currency specialists. A well-diversified investment portfolio mitigates risk in the event of poor performance of any one asset class. A three-year forecasting and response-planning model is updated regularly and monitored by the Trustees. As required, adaptation of activities to ensure contractual and funder obligations are met.
A major failure of the Institute's IT systems caused by internal or external factors	Principal systems, architecture, and software (including cloud servers, fail-over, disaster recovery, and protective programmes) have been designed drawing on external professional advice to provide best practice stability and security. In recognition of the increasing cyber threat, additional security measures have been introduced to detect and counter attacks.
Failure to maintain the existing high level of Institute staff expertise	Retention measures in place include competitive pay, benefits and working conditions. The competency framework ensures well-structured performance and development reviews. Consulting Fellows and membership base are drawn on when in-house expertise is not available. Adapted working practices have enabled hybrid home and office-based working for staff.

In addition to the review of the risk register by senior management, the Audit Committee and the Trustees, financial performance is evaluated at the Trustee meetings held four times each year. The Institute's investments and financial resources are monitored by the Investment Committee, which meets four times a year. Ongoing internal controls over these risks, as well as measures to mitigate exposures and financial loss, are exercised on a daily basis by the Institute's Directing staff.

FUTURE PLANS

Looking ahead, the IISS remains focused on its mission to shape and enable strategic discussion and inter-governmental dialogue, and to provide impartial analysis on major international security issues as a means of informing the public debate and assisting conflict resolution and prevention. The Institute will continue to fulfil this mission through its primary activities of research, dialogues, conferences, lectures, publications, online databases and outreach to governments, the private sector, and the expert and opinion-forming communities. The main objectives for the forthcoming year ending 30th September 2025 are:

- **Research** – the Institute will continue to produce new research and analysis under the rubrics of War, Power and Rules. Under War, the IISS will address the changing shape of armed conflict and

military capabilities, cyber power, and the security-development nexus. The IISS will furthermore work on the intersection of national security, innovation and technology. The Power stream will include geo-economics and strategy, the evolving tools of economic statecraft in a multipolar system, and regional security dynamics in Europe, the Middle East and the Indo-Pacific. The Rules stream will address the changing nature of international law, the impact of legal diplomacy exercised by major powers, the emerging regulation of advanced technology with security implications, and the requirement to continue to modernise the rules-based order. It will also consider approaches to arms control in the fields of nuclear weapons and uncrewed vehicles.

- **Digital content** – In 2025 the IISS will aim to continue to grow its *Military Balance Plus* customers in government, the private sector and the analytical community to generate a strong revenue stream to support IISS research and the Institute's overall mission. Building on recent success with new forms of digital content, such as interactive maps, as alternative means to present the Institute's research and analysis and engage more widely with IISS stakeholders, the digital transformation of the IISS will accelerate in 2025. Following investments in technology and skills, the Institute will launch new digital products, some of them focused on visualising complex data and analysis, and will apply AI tools to support its research, publications, and convening work streams. The enhanced web presence, in combination with active IISS social media channels, conveys a more dynamic image of the Institute and makes IISS research priorities clearer to external audiences.
- **Overseas offices** – Investment in its international offices and staff remains a priority to ensure that all research activity is infused with both local and regional expertise, yet blended with an international perspective, while also reaching the widest possible audience and engaging a new generation of young analysts internationally. In 2025, the priority of the newest overseas IISS office in Berlin will be to continue deepening IISS engagement with European powers, expanding the IISS analytical footprint in Berlin, and extend IISS convening activity in other European countries, a process that was begun in 2024 through the IISS Prague Defence Summit. The IISS Asia office in Singapore, the IISS Middle East office in Bahrain and the IISS Americas office in Washington, DC will continue to develop strategies to raise further funds and diversify the Institute's funding base in their respective regions.
- **Fundraising** – During the coming year, the Institute will continue its efforts to identify opportunities for major annual gifts or for the establishment of research endowments at the IISS to support pertinent research positions.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Institute is governed by Articles of Association lodged with the Registrar of Companies and the Charity Commission for England and Wales.

The Institute's Articles of Association reflect current best practices and the requirements of the Companies Act 2006 and recognise the fiduciary responsibilities carried by the Institute's Trustees. Revised Articles of Association were formally lodged with the Charity Commission on 2nd May 2019.

The Trustees constitute Directors for the purposes of the Companies Act, and act as Trustees for the purposes of the Charities Act. As required by the Articles of Association, all are Members of the Institute. They receive no remuneration for their services. Upon appointment new Trustees are provided with an induction pack, which includes copies of the Institute's governing documents as well as information about the Institute's activities and finances. Training is available for all Trustees at any time as required.

In accordance with the Articles of Association, a Trustee can be elected by ordinary resolution or by a decision of the Trustees. A new Trustee may be proposed and considered for election by the existing Trustees. The Trustees delegate the exercise of certain powers in connection with the administration of the Institute as set out below.

The Trustees are aware of the Charity Governance Code published in 2020 which sets out the principles and recommended practice for good governance within the sector. The Institute has reviewed its current

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governance arrangements against the principles within the code and addressed any issues raised where required.

Audit Committee

The task of monitoring the Institute's financial control systems and the management of major risk is delegated to the IISS Audit Committee. The current membership of the Audit Committee is:

Grace Skaugen (Chair of Committee & Honorary Treasurer)

Matthew Symonds

Florence Parly (appointed 8 January 2024)

Matt Symonds (appointed 11 February 2025)

Investment Committee

The IISS Investment Committee is empowered to receive advice from the Investment Managers and to vary the investment policy at any time. The current membership of the Investment Committee is:

Grace Skaugen (Chairman of Committee & Honorary Treasurer)

Matthew Symonds

Matt Symonds (appointed 11 February 2025)

Trustee Remuneration and Employment Committee

The IISS Remuneration Committee is responsible for the annual review of the Director-General and Chief Executive's remuneration package, with oversight of the Institute's overall human resources policies. The current membership of the Remuneration Committee is:

Bill Emmott (Chair of Committee and Chair of the IISS Trustees)

Grace Skaugen (Honorary Treasurer)

Caroline Atkinson

Neha Aviral

Nominations Committee

The IISS Nominations Committee is responsible for proposing new Trustees to the Board. The current membership of the Nominations Committee is:

Bill Emmott (Chair of Committee and Chair of the IISS Trustees)

Chung Min Lee (Vice Chair)

Matthew Symonds

Director-General and Chief Executive

The Director-General and Chief Executive is responsible for the day-to-day management of the Institute's affairs and for implementing policies agreed by the Trustees. The Director-General and Chief Executive is assisted by senior management.

The Board of Trustees appointed Dr Bastian Giegerich as successor to Sir John Chipman as Director-General and Chief Executive from 1 October 2023. Sir John Chipman moved into a part time role as Executive Chairman, an appointment that has assured key funders and other stakeholders of continuity in our most important relationships.

Remuneration Policy

The IISS's remuneration policy and practices reflect the Institute's objectives of good governance combined with the need to attract and retain the best talent internationally. This policy aims to support the sustained growth and development of the Institute and its employees and to ensure that the Institute is able effectively to carry out its mission to provide objective information and analysis on geopolitical change as well as facilitate conflict resolution and the maintenance of international peace and security.

The Institute's Staff Remuneration Committee, which consists of the Director-General and Chief Executive; the Director of Finance; and the Director of Human Resources, carries out promotion decisions and an annual salary review with increases awarded for individual performance linked to a 'competency framework'. This review incorporates IISS key management personnel, with the exception of the Director-General and Chief Executive and Executive Chairman. Salaries and benefits are positioned between the upper end of the charitable sector and middle of the corporate sector to ensure the Institute can compete globally in recruiting and retaining talent from the private sector, governments, and the international expert community. A review of market rates with reference to available salary surveys and monthly competitor research is undertaken regularly.

As referenced above, the IISS Trustee Remuneration and Employment Committee annually reviews the remuneration package of the Director-General and Chief Executive and the Institute's overall human resources policies, including salary rates and staff benefits. Remuneration packages may consist of fixed elements such as salary, pension, life assurance and private medical insurance; and a variable element of a discretionary performance-based bonus payment. Employee benefits are reviewed annually.

The Trustees are invited to approve annually the staffing and salary budget and forecast for the year. This includes senior management. No Trustees are remunerated but travel expenses are reimbursed.

Public Benefit

The Trustees have given due consideration to the Charity's Commission's published guidance on the Public Benefit Requirement under the Charities Act 2011.

The beneficiaries of the Institute include individuals and organisations within the political, diplomatic, defence and academic fields, the public in general, international agencies and governments worldwide. The interests and concerns of these groups are constantly evolving, and the charity's development is influenced by the need to continue to address their current interests and concerns. As clearly evidenced in this report, the Institute has successfully reached these audiences during the year under review.

In the UK, the Institute's staff have regularly provided facts and evidence-based analysis on geo-strategic and geo-economic trends to key members of the expert media, parliamentarians, civil servants and ministers. Internationally, the Institute has provided unique defence diplomatic platforms in the Middle East and Asia that have facilitated high level consultations on defence issues and conflict resolution that has also engaged Europeans and North Americans. It has published evidence-based research that numerous governments have found added value to their internal assessments. The Institute has also briefed various inter-governmental organisations, including NATO and the EU, on important issues of public policy and has provided evidence to a number of parliamentary enquiries. It continues to put into the public domain the best available information on a wide range of international issues to ensure a more informed public debate.

Group Structure

IISS Middle East

The IISS Middle East branch office in Manama, Bahrain was established as a base for the Institute's many research programmes and activities throughout the region and serves to connect IISS activities in Europe, North America and Asia with those in the Middle East. Since its foundation in May 2010, the office has built a strong cohort of experts and administrative staff who work closely with the entire IISS global network to provide not just first-class information and analysis on Middle East and broader international strategic issues but also strengthen links between the strategic community in the Middle East and those in other parts of the world.

Since 2004 the IISS has held annually the IISS Regional Security Summit: The Manama Dialogue in Bahrain. Full details of the Dialogue can be found on page 7.

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The International Institute for Strategic Studies – US (IISS-Americas)

IISS-Americas is a branch of the IISS located in Washington DC. During the year, IISS-Americas continued its efforts to engage and expand the IISS membership base in the region, promote IISS activities and research to a North American audience of government leaders and policy shapers, and cultivate relationships with US policy makers to ensure strong US representation at the dialogues. The office held both in-person and hybrid events to continue outreach to a global audience. This has reinforced the reputation of IISS-Americas as representing a vibrant, international, intellectual community.

Arundel House Enterprises Limited (AHEL)

AHEL is a wholly owned trading company with revenue arising from the letting of facilities and provision of event catering at Arundel House and the provision of Consultancy services. The company reported a profit for the year of £356,000 before gift aid (2023: £155,000).

The International Institute for Strategic Studies (Asia) Limited (IISS-Asia) and the Strategic Studies Fund (SSF)

IISS-Asia is a company limited by guarantee registered in Singapore. In January 2024, IISS-Asia again convened the IISS Shangri-La Dialogue Sherpa Meeting, an important inter-sessional activity of the Shangri-La Dialogue process. As detailed on page 7, the Shangri-La Dialogue was held from 31 May to 2 June, whilst the second Raffles Lecture was held in September 2024.

Notably, IISS-Asia research staff edited the annual *Asia-Pacific Regional Security Assessment* and organised and participated in IISS webinars on Asia-Pacific security. IISS-Asia also took the lead in recruiting and servicing IISS members in Singapore and the wider Asia-Pacific region.

The SSF is a trust fund established in Singapore for the purpose of raising funds to be applied in Singapore towards activities relevant to the objectives of the Institute and of benefit to the Singapore community. The results for IISS-Asia and the SSF are consolidated on the basis that the Institute holds a majority of the voting rights in IISS-Asia and has ultimate discretion over the disbursement of SSF funds and over its activities.

IISS India Organisation – (IISS-India)

IISS-India is a non-profit subsidiary of IISS with its registered office in New Delhi. It was established in August 2014 to assist in the expansion of IISS activities and reach in India and the South Asia region.

IISS Europe gemeinnützige GmbH (IISS-Europe)

IISS-Europe was incorporated as a non-profit subsidiary of IISS on 4 November 2019, with its registered office in Berlin, established to deepen IISS engagement with European powers, expand its analytical footprint in Germany and play an active part in shaping the security and defence debate in Germany and the EU. The IISS-Europe office includes research and operational staff in support of a broad five-year research programme on 'Power shifts and the evolving international order: Strategic challenges for Germany and Europe'.

Statement of Trustees' Responsibilities

The Trustees (who are also directors of The International Institute for Strategic Studies for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and accounting standards (FRS102).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Trustees at the date of this report is aware, there is no relevant audit information of which the charity's auditor is unaware. Each Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

Corporate Governance

Processes are in place to ensure that performance is monitored and that appropriate management information is prepared and reviewed regularly by both the executive management and the Trustees.

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- an annual budget approved by the Trustees;
- regular consideration by the Trustees of both financial and non-financial results; and
- delegation of day-to-day management authority and segregation of duties.

Auditors

Crowe U.K. LLP has indicated its willingness to be reappointed as statutory auditor.

The Strategic Report and Report of the Trustees was approved by the Trustees in their capacity as Company Directors on 11 February 2025 and signed on their behalf by:



Bill Emmott
Chair of the Trustees

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REFERENCE AND ADMINISTRATIVE DETAILS

The International Institute for Strategic Studies, also known as the IISS, is a registered charity and a company limited by guarantee. The liability of each Board of Trustees member under the guarantee does not exceed the sum of £1.

Registered Office Arundel House
6 Temple Place
London
WC2R 2PG

Company Number 615259

Charity Number 206504

Trustees

Chair Bill Emmott

Vice-Chair Chung Min Lee

Hon Treasurer Chris Jones (resigned 21 November 2024)

Jens Tholstrup (resigned 7 November 2023)
Professor Dr Kurt Lauk (resigned 7 November 2023)
Matthew J Symonds
Caroline Atkinson
Dr Grace Skaugen (Hon Treasurer from 21 November 2024)
John Brennan
Neha Aviral
Hakeem Belo-Osagie
Florence Parly
Lord Mark Sedwill (appointed 28 February 2024)
Kasper Rorsted (appointed 28 February 2024)
Matt Symonds (appointed 11 February 2025)

During the year under review, Lord Sedwill and Kasper Rorsted were appointed to the Board on 28 February 2024, whilst Jens Tholstrup and Professor Dr Kurt Lauk resigned on 7 November 2023, and Chris Jones stepped down on 21 November 2024. Subsequent to the year-end, Matt Symonds was reappointed to the Board with effect from 11 February 2025.

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Executive Directing Staff

Director-General and Chief Executive	Sir John Chipman (resigned 1 October 2023) Dr Bastian Giegerich (appointed 1 October 2023)
Director of Geo-Economics; Japan Chair	Robert Ward
Director of Regional Security	Emile Hokayem
Director of Finance	Sally Taylor
Director of Operations	Dr John Hobart
Director of HR	Jane Graham
Director of Editorial Services and Digital Strategy	David Tomchak
Executive Director, IISS-Asia	James Crabtree (resigned 5 December 2023) Veerle Nouwens (appointed 1 March 2024)
Executive Director, IISS-Middle East	Sir Thomas Beckett (resigned 31 March 2024) Martin Sampson (appointed 1 May 2024)
Executive Director, IISS-Europe	Dr Ben Schreer
Corresponding Executive Director, IISS-Americas	Sir Thomas Beckett (appointed 1 April 2024)

Agents and Advisers

Legal Advisers	Stone King Sewell LLP, 13 Queen Square, Bath BA1 2HJ
Bankers	HSBC Bank plc, 60 Queen Victoria Street, London EC4N 4TR
Investment Managers	Cazenove Capital Management (part of Schroder & Co. Limited), 12 Moorgate, London EC2R 6DA Schroders Wealth Management, 138 Market Street, #23-02 CapitaGreen, Singapore 048946
Pension Fund Managers	Mobius Life, 7th Floor, 20 Gresham Street, London EC2V 7JE
Pension Consultants / Actuary	Mercer, The St Botolph Building, 138 Houndsditch, London EC3A 7AW
Pension Administrators	Aptia, Maclaren House, Talbot Road, Stretford, Manchester, M32 0FP
Auditor	Crowe U.K. LLP, 2 nd Floor, 55 Ludgate Hill, London EC4M 7JW

Independent Auditor's Report to the Members of The International Institute for Strategic Studies

Opinion

We have audited the financial statements of The International Institute for Strategic Studies ('the charitable company') and its subsidiary ('the group') for the year ended 30 September 2024 which comprise the Consolidated Statement of Financial Activities, Consolidated and Charity Balance Sheets, Consolidated Cash Flow Statement and notes to the financial statements, including 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 the charitable company's affairs as at 30 September 2024 and of the group's income and receipts of endowments and expenditure, 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 Companies Act 2006.

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 in accordance with the ethical requirements that are 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 relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the Trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) 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 charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of noncompliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether

due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011, together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's and group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity and the group for fraud. The laws and regulations we considered in this context for the UK operations were taxation legislation, employment legislation and General Data Protection Regulation (GDPR). We also considered compliance with local legislation for the group's overseas operating segments.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing surrounding recognition income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Nicola May

Senior Statutory Auditor

For and on behalf of Crowe U.K. LLP

Statutory Auditor

London

17 March 2025

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2024

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating an income and expenditure account)

Year ended 30th September 2024

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2024 £'000	Total Funds 2023 £'000
Income from:						
<i>Donations</i>	2	3,552	-	6,003	9,555	3,053
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	3	10,436	-	-	10,436	9,930
Research programmes	3	1,637	5,428	-	7,065	7,679
Publications		1,516	-	-	1,516	1,480
Membership		2,058	-	-	2,058	1,890
<i>Other trading activities</i>	3	1,018	-	-	1,018	515
<i>Investments</i>		120	300	-	420	343
<i>Capital applied to income</i>		-	193	(193)	-	-
<i>Other income</i>		254	-	-	254	140
Total		20,591	5,921	5,810	32,322	25,030
Expenditure on:						
<i>Raising funds</i>		53	-	-	53	86
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	4	7,418	-	-	7,418	7,366
Research programmes	4	6,313	6,010	-	12,323	12,174
Publications	4	4,347	-	-	4,347	4,700
Membership	4	688	-	-	688	554
<i>Other trading activities</i>		663	-	-	663	359
Total		19,482	6,010	-	25,492	25,239
Net (losses)/ gains on investments	17	558	-	369	927	(110)
Net (expenditure) /income		1,667	(89)	6,179	7,757	(319)
Transfers between funds	12	-	-	-	-	-
Other recognised gains/(losses):						
Foreign exchange (losses) / gains		(219)	-	-	(219)	(111)
Actuarial (losses)/ gains on defined benefit pension schemes		(70)	-	-	(70)	(70)
Net movement in funds		1,378	(89)	6,179	7,468	(500)
Funds brought forward at 1 October 2023	12	21,134	171	4,967	26,272	26,772
Funds carried forward at 30 September 2024	12,13	22,512	82	11,146	33,740	26,272

All amounts relate to continuing operations and, as all gains and losses are included, a separate statement of total recognised gains and losses has not been presented.

The notes on pages 26 to 47 form part of these accounts

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2024

CONSOLIDATED BALANCE SHEET (Company Number 615259)

As at 30th September 2024

	Notes	2024 £'000	2023 £'000
Fixed assets			
Intangible assets	6	468	583
Tangible assets	7	12,753	13,132
Investments	8	17,066	10,228
Total Fixed assets		30,287	23,943
Current assets:			
Debtors	9	3,248	5,023
Cash at bank and in hand		9,670	6,335
Total Current assets		12,918	11,358
Liabilities:			
Creditors: Amounts falling due within one year	10	(9,465)	(9,029)
Net current assets / (liabilities)		3,453	2,329
Total assets less current liabilities		33,740	26,272
Net assets excluding pension liability		33,740	26,272
Defined benefit pension liability	14	-	-
Total net assets	13	33,740	26,272
The Funds of the charity			
Expendable endowment funds	12	11,146	4,967
Restricted income funds	12	82	171
Unrestricted income funds	12	22,512	21,134
Pensions reserve	12	0	0
Total unrestricted funds	13	22,512	21,134
Total charity funds	13	33,740	26,272

The consolidated balance sheet includes the assets, liabilities and funds of The International Institute for Strategic Studies (Asia) Limited, Arundel House Enterprises Limited, IISS India Organisation, IISS Europe gemeinnützige GmbH, and the Strategic Studies Fund.

The accounts were approved and authorised for issue by the Trustees 11 February 2025 and signed on their behalf by:



Bill Emmott
Chair of the Trustees

The notes on pages 26 to 47 form part of these accounts

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2024

CHARITY BALANCE SHEET (Company Number 615259)

As at 30th September 2024

	Notes	2024 £'000	2023 £'000
Fixed assets			
Intangible assets	6	469	584
Tangible assets	7	12,596	12,884
Investments	8	11,053	10,228
Total Fixed assets		24,118	23,696
Current assets:			
Debtors	9	2,903	3,921
Cash at bank and in hand		3,889	2,623
Total Current assets:		6,792	6,544
Liabilities			
Creditors: amounts falling due within one year	10	(5,506)	(5,846)
Net current liabilities		1,286	698
Total assets less current liabilities		25,404	24,394
Net assets excluding pension liability		25,404	24,394
Defined benefit pension liability	14	0	0
Total net assets		25,404	24,394
The Funds of the charity			
Expendable endowment funds	12	5,144	4,967
Restricted income funds	12	38	128
Unrestricted funds	12	20,222	19,299
Pensions reserve	12	0	0
Total unrestricted funds	13	20,222	19,299
Total funds including pensions reserve	13	25,404	24,394

The unconsolidated surplus incurred by the Charity in 2024 was £1,179,000 (2023: deficit £1,673,000)

The accounts were approved and authorised for issue by the Trustees on 11 February 2025 and signed on their behalf by:



Bill Emmott
Chair of the Trustees

The notes on pages 26 to 47 form part of these accounts

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2024

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended 30th September 2024

	Notes	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Cash flows from operating activities:					
Net cash (used in) / provided by operating activities	A		9,208		39
Cash flows from investing activities:					
Dividends, interest and rents from investments		420		343	
Purchase of property, plant and equipment		(244)		(235)	
Proceeds from sales of property, plant and equipment		-		-	
Purchase of software and website costs		(137)		(356)	
Purchase of investments		(2,000)		(1,330)	
Proceeds from sales of investments		2,110		1,592	
Net cash (used in) provided by investing activities			149		14
Net cash provided by (used in) financing activities			-		-
Change in cash and cash equivalents in the year			9,357		53
Cash and cash equivalents at the beginning of the reporting period			6,462		6,409
Cash and cash equivalents at the end of the reporting period	B		15,819		6,462

NOTES TO THE STATEMENT OF CASH FLOW

A Reconciliation of net incoming resources to net cash inflow from operating activities

	2024 £'000	2023 £'000
Net income for the reporting period (as per the statement of financial activities)	7,757	(319)
<i>Adjustments for:</i>		
Dividends and interest from investments	(420)	(343)
Depreciation charges	601	729
Amortisation charges	253	241
Pension reserve deficit funding	(70)	(70)
Losses/ (Gains) on investments	(927)	110
Exchange losses/ (gains) on fixed assets	21	24
<i>Change in cash and cash equivalents due to exchange rate movements</i>	(219)	(111)
(Gain)/Loss on disposal of fixed assets	-	-
(Increase)/ Decrease in debtors	1,776	(1,340)
Increase/(Decrease) in creditors	436	1,118
Net cash provided by (used in) operating activities	9,208	39

B Analysis of cash and cash equivalents

	2024 £'000	2023 £'000
Cash at bank and in hand	9,670	6,335
Portfolio cash	6,149	127
	15,819	6,462

The notes on pages 26 to 47 form part of these accounts

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Status

The Institute is a registered charity and a company limited by guarantee, incorporated in England and Wales. Its registered office address is Arundel House, 6 Temple Place, London WC2R 2PG. The Trustees constitute Directors for the purposes of the Companies Act and act as Trustees for the purposes of the Charities Act. The charity is a Public Benefit Entity.

b) Accounting convention

The accounts of the Charity and the Group have been prepared under the historical cost convention as modified by the revaluation of investments and in accordance with FRS102. The accounts are prepared in accordance with the Companies Act, and the current Statement of Recommended Practice: 'Accounting and Reporting by Charities' (SORP). The functional and reporting currency of the Group is GBP.

Basis of consolidation

The accounts include the assets, liabilities and funds, and the statement of financial activities of the charity and its subsidiary undertakings. Subsidiaries' activities are consolidated on a line by line basis. A separate statement of financial activities has not been prepared for the Charity alone as permitted by Section 408 of the Companies Act 2006.

Going concern

After making enquiries, the Trustees have reasonable expectation that the charity has adequate resources to continue its activities for the foreseeable future, and are satisfied that there are no material uncertainties surrounding the ability of the group to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the financial statements as outlined in the Trustees' Report above.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in this note, trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

Significant areas of estimate and judgement include provisions, income recognition, and assumptions used to value the defined benefit pension scheme and the remaining useful life of assets. Related accounting policies for these items are noted below. The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the presentation of the financial statements are as follows:

c) Investments

All investments are valued at their mid-market value at the balance sheet date, which gives rise to unrealised gains and losses. The differences between the carrying value (or cost if acquired during the year) and the proceeds of liquidated investments are identified as realised investment gains or losses. Realised and unrealised gains and losses are presented net in the Statement of Financial Activities.

Investment income and related tax credits are accounted for when received.

d) Restricted funds

Restricted funds are funds subject to specific restrictive conditions imposed by donors or by the purpose of the funds raised.

e) Expendable Endowment funds

The expendable endowment fund is treated as capital until the right to transfer funds to income and expend in accordance with the donor conditions has been granted.

f) Tangible fixed assets and depreciation

Furniture, fittings and equipment acquisitions are stated at cost. Freehold buildings are stated at cost. Depreciation is charged when assets are brought into use. The following depreciation policies are applied consistently across the group over the useful economic lives of the assets on a straight line basis:

- i) Computers, printers and other electronic equipment with functional unit costs in excess of £1,000 are depreciated over a period of three years.
- ii) Furniture, fittings and equipment of a non-electronic nature with unit costs in excess of £250 are depreciated over a period of five years.
- iii) Plant and machinery items with unit costs in excess of £1,000 are depreciated over a period of ten years.
- iv) Leasehold improvements with unit costs in excess of £1,000 are depreciated over the life of the lease.
- v) Freehold Building improvements with unit costs in excess of £1,000 are depreciated over a period of fifteen years.
- vi) Freehold building depreciation is charged at 1% using the straight line basis.

g) Intangible fixed assets and amortisation

Website costs and software acquisitions are stated at cost. Amortisation is charged when assets are brought into use. The following amortisation policy is applied consistently across the group:

- i) Software and website costs in excess of £1,000 are depreciated over their useful economic lives on a straight line basis over a period of three years.

No amortisation is charged on assets in the course of development.

h) Debtors

Debtors are stated in the balance sheet at estimated net realisable value, being the invoiced amount less any provision for bad and doubtful debtors. Provisions are made specifically against debtors where there is evidence of a dispute or an inability to pay. An additional provision is made against older balances.

i) Cash at bank and in hand

Cash includes cash-in-hand, cash-at-bank and bank overdrafts. Bank loans are included within Creditors.

j) Creditors

Trade and other creditors: Trade and other creditors are stated at cost.

k) Foreign currency

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

Foreign currency subsidiaries are translated into UK£ Sterling on the following basis:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at average exchange rates for the financial year; and
- all resulting exchange differences are taken to the Statement of Financial Activities.

l) Publications and membership income

Publications revenue advanced to the Institute under agreement with the publishers is recognised during the financial year in which the sale arises. An estimate of additional royalty income due up to 30 September 2024, to be received in early 2025, has been made in these financial statements.

Membership income is recognised on the subscription period start date. Any income invoiced in advance of the subscription period start date is deferred and recognised in the relevant accounting year.

m) Grants

Research grants are credited to the Statement of Financial Activities in accordance with the progress and performance of the grant programme activities. Income for Dialogues is recognised to the extent that the event has been planned and progress work completed in line with the contract.

When donors specify that grants are for particular restricted purposes, this income is included in incoming resources of restricted funds.

n) Deferred income

Income is deferred to future periods where the donor has placed an external restriction that the income should be used in those future periods or where the Institute has not fully earned entitlement to that income.

o) Expenditure

Expenditure is classified under the principal categories of Raising Funds, Charitable Activities, Commercial Activities Operating Expenditure and Financing Costs.

Charitable activities costs comprise all expenditure directly related to the objects of the Institute including direct staff costs attributable to each activity, together with a corresponding apportionment of central support costs.

Support costs are apportioned to charitable activities by a method based on the average headcount of employees allocated to each activity for the financial year.

Knowledge and Information expenses are included within support costs.

Financing Costs comprise those costs directly attributable to investment managers' fees/commissions and borrowing costs incurred in relation to financing.

Raising Funds comprise those costs directly attributable to fundraising activities.

Other Trading Activities Operating Expenditure comprise all costs incurred by Arundel House Enterprises Limited in delivering its catering, event and consultancy activities.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2024

p) Leasing

Rental costs under operating leases are charged to the Statement of Financial Activities in equal amounts over the period of the leases.

q) Pension costs

The Institute maintains a contributory defined benefit pension scheme which was closed to new entrants in 2001. The assets of the scheme are held separately from those of the Institute being invested in managed funds. The pension scheme is accounted for in accordance with FRS102 Retirement Benefits.

The Institute has defined contribution pension schemes which are open to all employees and also contributes to the personal pensions of some employees. Contributions to the scheme are accounted for when payable. Further details of all pension schemes can be found in Note 14.

r) Redundancy and termination payments

Redundancy and termination payments only occur when absolutely necessary as the Institute seeks to minimise organisational change. When redundancy or termination payments do arise, they are charged on an accruals basis and included with Staff Costs.

s) Knowledge and Information Services

The Knowledge and Information Services (formerly the Library) holds a comprehensive collection of books, journals, pamphlets and online resources covering a broad range of current international relations, security and defence topics. The collection is regularly updated for continued use by IISS research staff. New publications are expensed through the SoFA and the library does not hold any valuable publications which may require inclusion on the Balance Sheet.

2 Donations

	Unrestricted £'000	Restricted £'000	Endowed £'000	2024 £'000	2023 £'000
Donation in support of the IISS-Middle East office and related research activities	3,452			3,452	3,053
Donation for an endowment fund for new IISS-Asia Senior Fellow for Nuclear Arms Control			6,003	6,003	-
Other	100			100	-
	3,552	-	6,003	9,555	3,053

3 i) Dialogues, conferences and lecture series

	Unrestricted £'000	Restricted £'000	2024 £'000	2023 £'000
Manama Dialogue	3,849		3,849	4,211
Shangri-La Dialogue	5,927		5,927	5,521
Prague Defense Summit	381		381	-
Lecture series	279		279	198
	10,436	-	10,436	9,930

Funding for dialogues, conferences and lecture series received during the year from UK and international Governments totalled ££8,171,000 (2023: £9,493,000).

3 ii) Research programmes

	Unrestricted £'000	Restricted £'000	2024 £'000	2023 £'000
South and Central Asian Defence, Strategy and Diplomacy	31	1,703	1,734	1,146
Strategy, Technology and Arms Control	-	146	146	1,069
Europe	-	153	153	171
Defence & Military Analysis	318	1,229	1,547	2,234
Conflict, Security & Development	-	469	469	-
Geo-Economics & Strategy	-	8	8	190
Middle East	2	78	80	120
Southeast Asian Politics and Foreign Policy	-	255	255	340
Indo-Pacific Defence and Strategy	1,247	476	1,723	1,275
Cyber Power and Future Conflict	5	761	766	927
Japan Chair	-	43	43	72
China	-	-	-	94
Other Research Programmes	34	107	141	41
	1,637	5,428	7,065	7,679

Funding for research projects received during the year from UK and international Governments totalled £5,844,000 (2023: £4,362,000)

3 iii) Other trading activities

Other trading activities include event catering at its Arundel House venue, the sale of digital publications, and the provision of consultancy and advisory services providing strategic advice and political risk analysis to a range of government and commercial clients.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2024

4 i) Analysis of expenditure - charitable activities and governance

Group

	Staff costs £'000	Other direct costs £'000	Depreciation charges £'000	Exchange (gains) /losses £'000	Allocation of support costs £'000	Total 2024 £'000	Total 2023 £'000
Charitable activities							
<i>Primary costs</i>							
Dialogues and conferences	1,792	3,887	-	-	1,739	7,418	7,366
Research programmes	5,097	3,009	35	-	4,182	12,323	12,174
Publications	1,792	203	26	-	2,326	4,347	4,700
Membership	250	32	-	(3)	409	688	554
<i>Support costs</i>							
Support operations	4,975	2,805	792	84	(8,656)	-	-
Total 2024	13,906	9,936	853	81	-	24,776	24,794
Total 2023	13,676	10,182	932	4	-		24,794

The above table analyses by expense category the costs related to the charitable activities and the governance of the Institute. Charitable activities costs include both primary costs, which are directly attributable to specific charitable activities, and centrally incurred support costs. The total support costs are then apportioned across the specific activities in accordance with the average headcount of employees allocated to each activity for the financial year. Costs relating to commercial activities are not included in the above table.

Included in support costs for 2024 are governance costs of £211,000 (2023: £198,000). Governance costs include staff costs, trustee travel to board meetings and audit fees.

Staff costs include amounts paid to consulting fellows and other consulting associates not on the payroll, so will be higher than salaries and wages costs included in Note 5.

4 ii) Net Income/ Expenditure

	2024 £'000	2023 £'000
Net income/ expenditure is stated after charging:		
Depreciation	601	729
Amortisation	253	241
Auditors' remuneration		
- Audit fees	37	35
- Tax advisory and other services	3	2
Operating leases		
- Land and buildings	1,424	1,383
Trustees' professional indemnity insurance	29	30

5 Staff costs

	2024 £'000	2023 £'000
Wages and salaries	11,209	10,519
Social security costs	1,103	1,103
Employers' contribution to defined contribution pension schemes	465	458
Operating costs of defined benefit pension schemes (excluding finance costs)	35	26
Other forms of employee benefits	544	821
	13,356	12,927

Costs of Consulting Fellows and other sub-contractors totalling £973,000 (2023: £1,036,000) are not included in the figures above.

Wages and salaries include £4,846,000 (2023: £4,732,000) in respect of restricted grant funded staff salaries.

Remuneration of key management personnel totalled £2,992,000 during the year (2023: £2,832,000).

The average number of employees (headcount) during the year

	No.	No.
Dialogues and conferences	16	14
Research programmes	50	50
Publications	36	37
Commercial Activities	4	2
Membership	6	6
Support	51	54
	163	163

Number of employees whose emoluments were over £60,000

	No.	No.
£650,001 to £660,000	-	1
£590,001 to £600,000	1	-
£360,001 to £370,000	1	-
£230,001 to £240,000	-	1
£220,001 to £230,000	1	-
£210,001 to £220,000	-	2
£200,001 to £210,000	1	1
£190,001 to £200,000	1	1
£180,001 to £190,000	1	-
£170,001 to £180,000	1	-
£140,001 to £150,000	4	4
£130,001 to £140,000	2	2
£120,001 to £130,000	5	5
£110,001 to £120,000	1	2
£100,001 to £110,000	7	2
£90,001 to £100,000	6	9
£80,001 to £90,000	8	7
£70,001 to £80,000	7	4
£60,001 to £70,000	8	10
	55	51

None of the above employees (2023: none) are accruing retirement benefits under the defined benefit scheme.

47 of the above employees (2023: 41) are accruing retirement benefits under money purchase schemes, and contributions on their behalf amounted to £340,000 (2023: £336,000).

For staff who are directly attributable to specific charitable activities (including both restricted and unrestricted funds), the pension costs are allocated on the same apportionment basis as their staff time/salaries. Support staff pension costs are apportioned on a headcount basis, outlined in note 4.i.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2024

6 Intangible fixed assets

Group	Software and Website costs £'000	Total £'000
Cost		
At 1 October 2023	2,215	2,215
Exchange differences on consolidation	(2)	(2)
Disposals	(32)	(32)
Additions	137	137
At 30 September 2024	2,318	2,318
Amortisation		
At 1 October 2023	1,632	1,632
Exchange differences on consolidation	(3)	(3)
Eliminated on disposals	(32)	(32)
Charge for the year	253	253
At 30 September 2024	1,850	1,850
Net book value		
At 30 September 2024	468	468
At 30 September 2023	583	583

Projects under development total £41,000 (2023 £17,000) in relation to Audio-Visual enhancement costs. These are treated as Assets under construction and are not amortised until they are in use. We expect these to come into use by October 2025.

Charity	Software and Website costs £'000	Total £'000
Cost		
At 1 October 2023	2,196	2,196
Exchange differences on consolidation	(3)	(3)
Disposals	(32)	(32)
Additions	137	137
At 30 September 2024	2,298	2,298
Amortisation		
At 1 October 2023	1,610	1,610
Exchange differences on consolidation	(2)	(2)
Eliminated on disposals	(32)	(32)
Charge for the year	253	253
At 30 September 2024	1,829	1,829
Net book value		
At 30 September 2024	469	469
At 30 September 2023	586	586

Projects under development total £41,000 (2023 £17,000) in relation to Audio-Visual enhancement costs. These are treated as Assets under construction and are not amortised until they are in use. We expect these to come into use by October 2025.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2024

7 Tangible fixed assets

Group	Freehold land £'000	Freehold buildings £'000	Furniture, fittings, plant & machinery, equipment, building improvements & motor vehicles £'000	Total £'000
Cost				
At 1 October 2023	3,000	11,456	8,044	22,500
Exchange differences on consolidation	-	-	(186)	(186)
Disposals	-	-	(857)	(857)
Additions	-	-	244	244
At 30 September 2024	3,000	11,456	7,245	21,701
Depreciation				
At 1 October 2023	-	2,868	6,500	9,368
Exchange differences on consolidation	-	-	(164)	(164)
Eliminated on disposals	-	-	(857)	(857)
Charge for the year	-	115	486	601
At 30 September 2024	-	2,983	5,965	8,948
Net book value				
At 30 September 2024	3,000	8,473	1,280	12,753
At 30 September 2023	3,000	8,588	1,544	13,132

Furniture, fittings, plant & machinery, equipment, building improvements and motor vehicles contain assets in the course of construction £22,000 (2023: nil).

Charity	Freehold land £'000	Freehold buildings £'000	Furniture, fittings, plant & machinery, equipment, building improvements & motor vehicles £'000	Total £'000
Cost				
At 1 October 2023	3,000	11,456	6,627	21,083
Exchange differences on consolidation	-	-	(126)	(126)
Disposals	-	-	(523)	(523)
Additions	-	-	226	226
At 30 September 2024	3,000	11,456	6,204	20,660
Depreciation				
At 1 October 2023	-	2,868	5,331	8,199
Exchange differences on consolidation	-	-	(113)	(113)
Eliminated on disposals	-	-	(523)	(523)
Charge for the year	-	115	386	501
At 30 September 2024	-	2,983	5,081	8,064
Net book value				
At 30 September 2024	3,000	8,473	1,123	12,596
At 30 September 2023	3,000	8,588	1,296	12,884

Furniture, fittings, plant & machinery, equipment, building improvements and motor vehicles contain assets in the course of construction £22,000 (2023: nil).

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8 Fixed asset investments

Group

	2024 £'000	2023 £'000
Quoted		
Hedge Funds	427	658
Property Fund	394	409
Portfolio Funds	5,159	5,067
UK Fixed Interest Funds	495	444
International Fixed Interest Funds	280	72
UK Equity Funds	550	502
International Equity Funds	3,612	2,949
Total Quoted investments	10,917	10,101
Portfolio cash	6,149	127
Total market value at 30 September	17,066	10,228
Total historical cost at 30 September	9,786	9,579

Reconciliation of opening and closing market values

Opening market value at 1 October	10,101	10,416
Additions at cost	2,000	1,330
Disposals at opening market value	(2,080)	(1,591)
Net (loss)/gain on revaluation	896	(54)
Closing market value at 30 September	10,917	10,101
Portfolio cash at 30 September	6,149	127
Total market value at 30 September	17,066	10,228

Charity

	2024 £'000	2023 £'000
Quoted		
Hedge Funds	427	658
Property Fund	394	409
Portfolio Funds	5,159	5,067
UK Fixed Interest Funds	495	444
International Fixed Interest Funds	280	72
UK Equity Funds	550	502
International Equity Funds	3,612	2,949
Total Quoted investments	10,917	10,101
Portfolio cash	136	127
Total market value at 30 September	11,053	10,228
Total historical cost at 30 September	9,786	9,579

Reconciliation of opening and closing market values

Opening market value at 1 October	10,101	10,416
Additions at cost	2,000	1,330
Disposals at opening market value	(2,080)	(1,591)
Net (loss)/gain on revaluation	896	(54)
Closing market value at 30 September	10,917	10,101
Portfolio cash at 30 September	136	127
Total market value at 30 September	11,053	10,228

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9 Debtors

Group

	2024 £'000	2023 £'000
Trade debtors	345	2,220
Other debtors	540	548
Prepayments and accrued income	2,363	2,255
	<u>3,248</u>	<u>5,023</u>

Charity

	2024 £'000	2023 £'000
Trade debtors	133	1,090
Other debtors	334	328
Amounts owed by group and associated undertakings	565	565
Prepayments and accrued income	1,871	1,938
	<u>2,903</u>	<u>3,921</u>

10 Creditors: amounts falling due within one year

Group

	2024 £'000	2023 £'000
Trade creditors	475	1,112
Other creditors	92	197
Taxation and social security	272	235
Accruals	684	694
Deferred income (note 11)	7,942	6,791
	<u>9,465</u>	<u>9,029</u>

Charity

	2024 £'000	2023 £'000
Trade creditors	430	1,112
Other creditors	89	137
Taxation and social security	230	220
Accruals	530	562
Deferred income (note 11)	4,227	3,815
	<u>5,506</u>	<u>5,846</u>

11 Deferred income

Group

	2024 £'000	2023 £'000
Brought forward at 1 October	6,791	5,976
Received in the year	18,431	17,699
Expended in the year	(17,280)	(16,884)
	<u>7,942</u>	<u>6,791</u>
Carried forward at 30 September		

Charity

	2024 £'000	2023 £'000
Brought forward at 1 October	3,815	3,805
Received in the year	6,741	7,118
Expended in the year	(6,329)	(7,108)
	<u>4,227</u>	<u>3,815</u>
Carried forward at 30 September		

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12 Movement in funds

Group	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	4,967	5,810	-	-	369	11,146
Restricted						
Gerald Segal Memorial Fund	22	-	(12)	-	-	10
Research Grants	149	5,921	(5,998)	-	-	72
	171	5,921	(6,010)	-	-	82
Unrestricted						
General fund	21,134	20,591	(19,482)	(70)	339	22,512
Pensions reserve	-	-	-	70	(70)	-
	21,134	20,591	(19,482)	-	269	22,512
Total funds	26,272	32,322	(25,492)	-	638	33,740
Charity	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	4,967	(193)	-	-	370	5,144
Restricted						
Gerald Segal Memorial Fund	22	-	(12)	-	-	10
Research Grants	106	3,841	(3,919)	-	-	28
	128	3,841	(3,931)	-	-	38
Unrestricted						
General fund	19,299	12,013	(11,479)	(70)	459	20,222
Pensions reserve	-	-	-	70	(70)	-
	19,299	12,013	(11,479)	-	389	20,222
Total funds	24,394	15,661	(15,410)	-	759	25,404

Expendable endowment - restricted to fund a Chair in Japanese Security Studies at the IISS including a new fund in 2024 to fund a new IISS-Asia Senior Fellow for Nuclear Arms Control

Gerald Segal Memorial Fund - to fund study on Asian issues.

Restricted Grants - for research projects and specific non-research projects in strategic studies.

13 Analysis of net assets by fund

Group	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	12,753	12,753
Intangible assets	-	-	468	468
Investments	11,146	-	5,920	17,066
Net current assets/ (liabilities)	-	82	3,371	3,453
Pension liability	-	-	-	-
	11,146	82	22,512	33,740
Charity	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	12,596	12,596
Intangible assets	-	-	469	469
Investments	5,144	-	5,909	11,053
Net current assets/ (liabilities)	-	38	1,248	1,286
Pension liability	-	-	-	-
	5,144	38	20,222	25,404

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14 Pension schemes

The disclosures set out below relate to pension schemes to which contributions are made by the charity – a defined benefit scheme, individual personal pension schemes and a defined contribution scheme.

a Defined benefit scheme

The Institute sponsors the International Institute for Strategic Studies Staff Superannuation Scheme which is a defined benefit arrangement. The last completed full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 28 February 2021. The scheme is closed to new entrants and no contributions were made during the year.

During the year, the Institute has made payments of £60,000 to reduce the overall scheme deficit as identified in the triennial actuarial valuation of the scheme as at 28 February 2021.

i) The amounts recognised in the balance sheet are as follows:

	2024 £'000	2023 £'000
Present value of funded obligations	(2,314)	(2,136)
Fair value of plan assets	2,530	2,279
Asset/(deficit)	216	143
Effect of asset ceiling	(216)	(143)
Net defined benefit asset/(liability)	-	-
Amounts in the balance sheet:		
Liabilities	-	-
Assets	-	-
Net liability	-	-

ii) Changes in the present value of the defined benefit obligation are as follows:

	2024 £'000	2023 £'000
Defined benefit obligation at start of year	2,136	2,184
Interest expense	119	114
Actuarial losses / (gains)	121	(120)
Benefits paid and expenses	(62)	(42)
Defined benefit obligation at end of year	2,314	2,136

iii) Changes in the fair value of the scheme assets are as follows:

	2024 £'000	2023 £'000
Opening fair value of scheme assets	2,279	2,345
Interest Income	129	124
Actuarial gains / (losses)	124	(208)
Contributions by the company	60	60
Benefits paid and expenses	(62)	(42)
Fair value of scheme assets at the year end	2,530	2,279

	2024 £'000	2023 £'000
The actual return on the plan assets in the year	253	(84)

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14 Pension scheme (continued)

iv) The defined benefit costs recognised within the Statement of Financial Activities are as follows:

	2024 £'000	2023 £'000
Net interest cost	(10)	(10)
Total amount charged to the Statement of Financial Activities	(10)	(10)

The International Institute for Strategic Studies expects to contribute £60,000 to its defined benefit pension scheme in the year ending 30 September 2025.

v) Defined benefit costs included in other recognised gains and losses

	2024 £'000	2023 £'000
Return on plan assets (excluding amounts included in net interest cost) - gain / (loss)	124	(208)
Experience gains / (losses) arising on the plan liabilities	(18)	(73)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - gain / (loss)	139	193
Changes in asset ceiling	(216)	(143)
Total gains/(losses) included in other recognised gains and losses	29	(231)

vi) The major categories of scheme assets are as follows:

	2024 £'000	2023 £'000
Equities	563	479
Fixed Interest	1,255	1,163
Diversified Growth	514	449
Property	153	141
Cash and other	45	47
Total Assets	2,530	2,279

vii) Principal assumptions at the balance sheet date (expressed as weighted averages)

	2024	2023
Discount rate at 30 September	5.06%	5.65%
Inflation (RPI)	3.34%	3.53%
Inflation (CPI)	2.49%	2.58%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.49%	2.58%
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.11%	3.24%
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	2.07%	2.10%
Allowance for commutation of pension for cash at retirement	50% of Post A Day	50% of Post A Day

viii) The mortality assumptions adopted at 30 September 2024 imply the following life expectancies at age 65:

	Years
Male retiring in 2024	21.50
Female retiring in 2024	23.50
Male retiring in 2044	22.70
Female retiring in 2044	24.90

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14 Pension scheme (continued)

b Personal pension plans

The Institute also contributes to the personal pension schemes of some employees. The contributions are charged to the Statement of Financial Activities when due and the cost for the financial year ended 30 September 2024 was £22,000 (2023: £63,000).

c Defined contribution scheme

The Institute has a defined contribution pension scheme which is open to all employees. The contributions made in the year ended 30 September 2024 were £437,000 (2023: £392,000). Contributions outstanding at the year end amounted to £73,000 (2023: £87,000).

d IISS-US pension scheme

The Institute contributes to a United States 401(k) defined contribution pension scheme which is open to employees at the IISS-US office. The contributions paid in the year ended 30 September 2024 were £19,000 (2023: £22,000). Contributions accrued at the year end amounted to £5,900 (2023: £4,000).

15 Leasing commitments

The future total minimum payments to which the Group is committed as at 30 September 2024 under operating lease agreements are as follows:

	2024 £'000	2023 £'000
Office premises		
Net present value of total lease commitments due:		
Within one year	1,314	1,197
Between one and two years	1,344	757
Between two and five years	3,210	954
Over five years	<u>1,471</u>	<u>1,290</u>

16 Capital commitments

As at 30 September 2024, there were capital commitments contracted but not provided for of £63,000; for reinstating fixtures and the replacement of equipment including licensing and audio visual enhancements (2023: £17,000).

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17 Related Parties

a Trustees or connected persons

The Trustees did not receive any remuneration during the current or previous year.

No transactions, contracts or other arrangements (including grants) with any Trustees were entered into by the Institute during the year ended 30 September 2024 (2023: Nil).

Travel expenses for both governance and attending Institute dialogues and other activities were paid or reimbursed in respect of 6 trustee (2023: 6) and the total amount was £18,000 (2023: £12,000).

b Other related parties

The ultimate parent undertaking (Parent Charity) includes IISS-UK, and its two branches, IISS-US and IISS-Middle East.

I Arundel House Enterprises Ltd

Related party transactions of the ultimate parent undertaking with Arundel House Enterprises Ltd were as follows:

	2024 £'000	2023 £'000
Balance at beginning of year	(52)	13
Expenses paid on behalf of Parent	(423)	(140)
Expenses paid on behalf of related party	1,125	547
Amounts paid in during the year	(1,052)	(520)
Foreign currency movement	31	48
Balance at end of year	(371)	(52)

II International Institute for Strategic Studies (Asia) Ltd

Related party transactions of the ultimate parent undertaking with IISS-Asia Ltd were as follows:

	2024 £'000	2023 £'000
Balance at beginning of year	-	-
Expenses paid on behalf of Parent	(510)	(524)
Expenses paid on behalf of related party	2,760	2,761
Amounts paid out during the year		
Amounts paid in during the year	(2,044)	(2,044)
Foreign currency movement	(14)	(13)
Balance forgiven on behalf of Parent	(192)	(180)
Balance at end of year	-	-

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III Strategic Studies Fund

Related party transactions of the ultimate parent undertaking with the Strategic Studies Fund were as follows:

	2024 £'000	2023 £'000
Balance at beginning of year	3	6
Expenses paid on behalf of Parent	-	(4)
Expenses paid on behalf of related party	1	1
Foreign currency movement		
Balance at end of year	<u>4</u>	<u>3</u>

Related party transactions of IISS-Asia with the Strategic Studies Fund were as follows:

	2024 £'000	2023 £'000
Balance at beginning of year	(164)	(246)
Expenses paid on behalf of Parent (IISS-Asia)	-	-
Expenses paid on behalf of related party	137	74
Amounts paid in during the year	-	-
Foreign currency movement	4	8
Balance at end of year	<u>(23)</u>	<u>(164)</u>

IV IISS India Organisation

Related party transactions of the ultimate parent undertaking with IISS India Organisation were as follows:

	2024 £'000	2023 £'000
Balance at beginning of year	71	79
Expenses paid on behalf of Parent		
Expenses paid on behalf of related party		
Foreign currency movement	(7)	(8)
Balance at end of year	<u>64</u>	<u>71</u>

V IISS Europe gemeinnützige GmbH

Related party transactions of the ultimate parent undertaking with IISS Europe gemeinnützige GmbH were as follows:

	2024 £'000	2023 £'000
Balance at beginning of year	542	573
Expenses paid on behalf of Parent	(186)	(274)
Expenses paid on behalf of related party	297	493
Amounts paid out during the year	225	(246)
Foreign currency movement	(11)	(4)
Balance at end of year	<u>867</u>	<u>542</u>

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18 Subsidiary undertakings

I Arundel House Enterprises Ltd

Registered office : Arundel House, 6 Temple Place, London, WC2R 2PG

Registered number : 3720258

- a** The charity beneficially owns the entire share capital of Arundel House Enterprises Limited, a company incorporated in England and Wales under registration number 3720258, which manages the conference facilities, provision of event catering at Arundel House and consultancy services. The results for Arundel House Enterprises Limited have been consolidated into the group financial statements.

b Summary of profit and loss account for Arundel House Enterprises Ltd

	2024 £'000	2023 £'000
Turnover	1,085	549
Cost of sales	(41)	(33)
Gross profit	1,044	516
Other expenses	(688)	(361)
Net profit before taxation	356	155
Gift Aid to IISS	(356)	(155)
Loss after taxation	-	-

c Summary of balance sheet for Arundel House Enterprises Ltd

	2024 £'000	2023 £'000
Tangible fixed assets	-	-
Debtors	804	148
Cash at bank and in hand	13	34
Current assets	817	182
Creditors	(807)	(172)
Net assets	10	10
Aggregate capital and reserves	10	10

II International Institute for Strategic Studies (Asia) Ltd

Registered office : 9 Raffles Place, #51-01 Republic Plaza, Singapore 048619

Registration number : 200106226Z

- a** The charity holds a majority of the voting rights of The International Institute for Strategic Studies (Asia) Limited, a company limited by guarantee and incorporated in Singapore under company number 200106226Z. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b Summary of income statement for International Institute for Strategic Studies (Asia) Ltd

	2024 £'000	2023 £'000
Donations	6,003	-
Dialogue and Lecture Series	6,073	5,707
Research programmes	2,280	2,213
Other	157	41
Total income	14,513	7,961
Dialogue and Lecture Series	(3,791)	(3,766)
Research programmes	(3,900)	(2,537)
Total expenses	(7,691)	(6,303)
Surplus for the year	6,822	1,658

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c Summary of balance sheet for International Institute for Strategic Studies (Asia) Ltd

	2024 £'000	2023 £'000
Tangible fixed assets	6,125	158
Debtors	358	1,177
Cash at bank and in hand	4,495	3,511
Current assets	4,853	4,688
Creditors	(1,861)	(2,395)
Net assets	9,117	2,451
Aggregate capital and reserves	9,117	2,451

III Strategic Studies Fund

Registered office : 9 Raffles Place, #51-01 Republic Plaza, Singapore 048619
IPC Registration number : 1798

- a The charity is a trustee of the Strategic Studies Fund (SSF), a trust established in Singapore under Charity number 1798, and has ultimate discretion over the disbursement of SSF funds. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b Summary of income statement for Strategic Studies Fund

	2024 £'000	2023 £'000
Lectures Series	132	12
Research	-	52
Total income	132	64
Lectures Series	(138)	(14)
Research	-	(65)
Other expenses	-	-
Total expenses	(138)	(79)
Surplus for the year	(6)	(15)

c Summary of balance sheet for Strategic Studies Fund

	2024 £'000	2023 £'000
Debtors	20	162
Creditors	(5)	(142)
Net assets	15	20
Reserves	15	20

IV IISS India Organisation

Registered office: E-301, East of Kailash, New Delhi-110065, India
Incorporated in India with limited liability under number U80903DL2014NPL270367

- a The charity holds a majority share-holding (99.9%) in IISS India Organisation, a limited not for profit company incorporated in India. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

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b Summary of income statement for IISS India Organisation

	2024 £'000	2023 £'000
Other Income	-	-
Total income	-	-
Other expenses	-	-
Total expenses	-	-
Deficit for the year	-	-

c Summary of balance sheet for IISS India Organisation

	2024 £'000	2023 £'000
Debtors	5	5
Cash at bank and in hand	-	-
Current assets	5	5
Creditors	(65)	(72)
Net assets	(60)	(67)
Aggregate capital and reserves	(60)	(67)

V IISS Europe gemeinnützige GmbH

Registered office: Palais am Pariser Platz, Pariser Platz 6A, 10117 Berlin, Germany

- a The charity holds a 100% share in IISS Europe gemeinnützige GmbH, a not for profit company incorporated in Germany on 28 May 2019. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b

	2024 £'000	2023 £'000
Research	1,486	1,486
Other Income	-	-
Total income	1,486	1,486
Research	(1,776)	(1,776)
Total expenses	(1,776)	(1,776)
Surplus/(Deficit) for the year	(290)	(290)

c Summary of balance sheet for IISS-Europe

	2024 £'000	2023 £'000
Tangible fixed assets	46	89
Debtors	475	304
Cash at bank and in hand	1,273	167
Current assets	1,748	471
Creditors	(2,537)	(1,096)
Net assets	(743)	(536)
Aggregate capital and reserves	(743)	(536)

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19 Comparative Information

i) Consolidated Statement of Financial Activities (incorporating an income and expenditure account)

Year ended 30th September 2023

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2023 £'000	Total Funds 2022 £'000
Income from:						
<i>Donations</i>	2	3,053	-	-	3,053	2,951
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	3	9,930	-	-	9,930	9,690
Research programmes	3	1,090	6,589	-	7,679	8,472
Publications		1,480	-	-	1,480	1,297
Membership		1,890	-	-	1,890	1,442
Other trading activities		515	-	-	515	346
<i>Investments</i>		109	234	-	343	315
<i>Capital applied to income</i>			327	(327)	-	-
<i>Other income</i>		140	-	-	140	26
Total		18,207	7,150	(327)	25,030	24,539
Expenditure on:						
<i>Raising funds</i>		86	-	-	86	114
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	4	7,366	-	-	7,366	7,999
Research programmes	4	5,055	7,119	-	12,174	11,346
Publications	4	4,700	-	-	4,700	3,924
Membership	4	554	-	-	554	426
<i>Other trading activities</i>		359	-	-	359	148
Total		18,120	7,119	-	25,239	23,957
Net gains on investments	17	54	-	(164)	(110)	(729)
Net income/ (expenditure)		141	31	(491)	(319)	(147)
Transfers between funds	12	-	-	-	-	-
Other recognised gains/(losses):						
Foreign exchange gains		(111)	-	-	(111)	343
Actuarial losses on defined benefit pension schemes	14	(70)	-	-	(70)	514
Net movement in funds		(40)	31	(491)	(500)	710
Funds brought forward at 1 October 2022	12	21,174	140	5,458	26,772	26,062
Funds carried forward at 30 September 2023	12,13	21,134	171	4,967	26,272	26,772

All amounts relate to continuing operations and, as all gains and losses are included, a separate statement of total recognised gains and losses has not been presented.

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ii) Comparative movement in funds

For the year ended 30 September 2023

Group	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	5,458	(327)	-	-	(164)	4,967
Restricted						
Gerald Segal Memorial Fund	22	-	-	-	-	22
Research Grants	118	7,150	(7,119)	-	-	149
	140	7,150	(7,119)	-	-	171
Unrestricted						
General fund	21,174	18,207	(18,120)	(70)	(57)	21,134
Pensions reserve	-	-	-	70	(70)	-
	21,174	18,207	(18,120)	-	(127)	21,134
Total funds	26,772	25,030	(25,239)	-	(291)	26,272
Charity						
	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	5,458	(327)	-	-	(164)	4,967
Restricted						
Gerald Segal Memorial Fund	22	-	-	-	-	22
Research Grants	54	4,385	(4,333)	-	-	106
	76	4,385	(4,333)	-	-	128
Unrestricted						
General fund	-	-	-	(70)	(26)	(96)
Pensions reserve	20,684	11,101	(12,390)	70	(70)	19,395
	20,684	11,101	(12,390)	-	(96)	19,299
Total funds	26,218	15,159	(16,723)	-	(260)	24,394

Expendable endowment - restricted to fund a Chair in Japanese Security Studies at the IISS

Gerald Segal Memorial Fund - to fund study on Asian issues.

Restricted Grants - for research projects and specific non-research projects in strategic studies.

iii) Comparative Analysis of net assets by fund

For the year ended 30 September 2023

Group	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,132	13,132
Intangible assets	-	-	583	583
Investments	4,996	-	5,160	10,156
Net current assets/ (liabilities)	-	171	2,158	2,329
Pension liability	-	-	-	-
	4,996	171	21,033	26,200
Charity				
	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	12,884	12,884
Intangible assets	-	-	584	584
Investments	4,996	-	5,160	10,156
Net current assets/ (liabilities)	-	128	570	698
Pension liability	-	-	-	-
	4,996	128	19,198	24,322

The International Institute for Strategic Studies

FOR INFORMATION ONLY: CHARITY SOFA DOES NOT FORM PART OF AUDITED FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2024

	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2024 £'000	Total Funds 2023 £'000
Income from:					
<i>Donations</i>	3,908	-	-	3,908	3,208
<i>Charitable activities</i>					
Dialogues, conferences and lecture series	3,849	-	-	3,849	4,211
Research programmes	384	3,428	-	3,812	3,928
Publications	1,516	-	-	1,516	1,480
Membership	2,058	-	-	2,058	1,890
<i>Investments</i>	120	220	-	340	343
<i>Capital applied to income</i>	-	193	(193)	-	-
<i>Other incoming resources</i>	178	-	-	178	99
Total	12,013	3,841	(193)	15,661	15,159
Expenditure on:					
<i>Raising funds</i>	53	-	-	53	86
<i>Charitable activities</i>					
Dialogues, conferences and lecture series	3,326	-	-	3,326	3,586
Research programmes	3,073	3,931	-	7,004	7,844
Publications	4,340	-	-	4,340	4,652
Membership	687	-	-	687	554
Total	11,479	3,931	-	15,410	16,722
Net (losses)/ gains on investments	558	-	370	928	(110)
Net income/ (expenditure)	1,092	(90)	177	1,179	(1,673)
Transfers between funds	-	-	-	-	-
Other recognised gains/(losses):					
Foreign exchange (losses)/ gains	(99)	-	-	(99)	(80)
Actuarial gains/ (losses) on defined benefit pension schemes	(70)	-	-	(70)	(70)
Net movement in funds	923	(90)	177	1,010	(1,823)
Funds brought forward at 1 October 2023	19,299	163	4,932	24,394	26,218
Funds carried forward at 30 September 2024	20,222	73	5,109	25,404	24,395

Accounts

Company Number: 615259
Charity Number: 206504

**THE INTERNATIONAL INSTITUTE FOR
STRATEGIC STUDIES**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30 September 2023

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Annual Report and Financial Statements

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STRATEGIC REPORT AND THE REPORT OF THE TRUSTEES

The Trustees present their report for the year ended 30 September 2023. This incorporates the Directors' report, which has been prepared in accordance with the Companies Act 2006 and FRS102, and the Strategic Report. The accounts comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP).

The primary role of the International Institute for Strategic Studies (referred to as 'IISS' or 'the Institute') is to enhance public understanding of questions of international security, help to provide policy makers with facts and analysis to inform and advise their decision-making, and contribute to improved defence diplomacy and conflict resolution.

Strategy

The Institute's medium- to long-term strategy comprises four elements as follows:

1. to provide facts and analysis on the sources of conflict, however caused, which may provoke the use of organised military force, and to examine the changing nature and use of organised force in international affairs;
2. to provide facts and analysis on the nature of political, geopolitical and geo-economic risk and advise governments and the private sector on measures that can be taken to mitigate that risk;
3. to provide an independent platform for intergovernmental consultations on geopolitical and geo-economic issues in private and public settings, supported by the facts and analyses developed by the Institute; and
4. to sustain a network of experts in these matters on the permanent staff, on a part-time consulting basis and also generally among an engaged cohort of the individual membership.

The Institute measures the success of this strategy in the following ways:

- evidence of senior government leaders internationally seeking IISS independent analysis;
- attendance at its dialogues and conferences by government officials, international business and media representatives from around the world;
- evidence that the Institute has contributed to improved defence diplomacy and conflict resolution, as confirmed to IISS by government officials;
- continued diversification of funding from governments, the private sector, charitable foundations and individuals to maintain a significant body of research across a broad range of thematic and regional programmes;
- worldwide demand for its publications and databases.

The Institute achieved the main objectives set by the Trustees for the year, which included the expansion of its research output, convening activity and dissemination of its publications, enhanced digital content, and widening the Institute's international network and global coverage. More details can be found in the *Achievements and Performance* section on pages 3 to 8.

Research, Dissemination and Digital Content

The IISS has continued to develop its digital channels this year and celebrated the successful launch of the Institute's refreshed website and new Content Management System. The enhanced website improves accessibility to IISS content, conveys a more dynamic image of the Institute and makes IISS research priorities clearer to external audiences. In collaboration with the Research, Design, Events, Communications and Editorial teams, the IISS has implemented more user-friendly navigation tools showcasing our Institute's expertise and convening power. With the ongoing Russia/Ukraine conflict and recent Israel/Hamas war, external demand for IISS analysis and experts' views has increased. To help

accommodate this increased demand and facilitate external access, a new area of the website has been created to host information for key events in one place.

The Institute's website audience continues to grow, with over 1.8 million users this year and increasing engagement with webinars, blogs, research reports, IISS flagship publications and events. Over the past year the Institute's social media following has grown significantly, including a 26% annual increase on LinkedIn, which now has over 170,000 followers. This follows an increased focus on content and use of images and graphics to improve engagement on LinkedIn. Since the last report, IISS digital content activities have generated over 3 million pageviews. Audiences have engaged notably with video content on both website and YouTube channels, resulting in over 481,000 views of event recordings and livestreams.

The *Sounds Strategic* and *Japan Memo* podcasts were downloaded over 44,000 times during the past year by audiences across our top territories of US, UK, Australia, Germany, and Japan. As the *Japan Memo* podcast series enter its second year of publication, we have seen an increase of lifetime downloads (from the start of the series) of 9%.

Alongside the usual media engagement, the Institute organised media roundtables so that IISS experts could brief journalists and respond to questions. IISS experts were in high demand for their analysis and comment on both the Russia/Ukraine and Israel/Hamas wars.

Convening Power

The Institute continued to extend its platforms for intergovernmental consultation and dialogue, in both private and public settings, to improve defence diplomacy and conflict resolution. In all cases, the Institute was able to create informed debate, develop new networks of contacts and engage governments, the private sector, the international expert and opinion-forming community, and IISS members in both open debates and confidential discussions to improve mutual understanding of differing positions and promote new policy approaches. During the year, the Institute convened 140 events in eight countries with 7,484 attendees participating from over 88 countries.

The Institute also continued to deploy its convening power and analytical excellence informally via meetings between senior research staff and leading government figures and policy makers from a range of countries. At these meetings the Institute leverages its global reach and data-based approach to analysis to provide information on strategically important policy decisions being made at the highest levels.

Global Coverage and International Strategic Network

Investment in analytical expertise and in enhancing the role of its four international offices has been a core focus of the Institute in recent years in order to bring a powerful global perspective to all of its work, as well as engendering the widest possible engagement on issues of international security. Details about the activities of the international offices can be found on pages 14 to 15.

OBJECTIVES AND PRINCIPAL ACTIVITIES

The Institute's declared objects are '*to promote on a non-party basis the study and discussion of and the exchange of information upon any major international security issues including without limitation those of a political, strategic, economic, social or ecological nature, and to promote conflict resolution by facilitating discussion and dialogue and publishing analysis on major international security issues to assist and promote the resolution of conflicts between or within nations*'.

The Institute aims to achieve these objects by providing to IISS members, governments, international organisations and the wider public the best possible objective information on military and political developments relevant to the prospects, course and consequences of conflict having an important military dimension. In furtherance of its objectives, the Institute:

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30 September 2023

- delivers a comprehensive research programme committed to advancing wider understanding of constantly evolving global security issues;
- convenes government officials, independent analysts, business leaders and journalists to advance understanding of political, military, economic, environmental and societal trends in the subjects addressed by the Institute's work;
- continues to enhance the online content offered through the iiss.org website to maximise global access to its research and analysis; and
- maintains an international network of influential and knowledgeable individuals, corporate entities, governments and others as an audience for its research and publications.

The Institute's achievements against its objectives are discussed under the heading '*Achievements and Performance*' below.

The Institute's 'statement of values' and 'policy on financial transparency confidentiality and effectiveness', published on the IISS website, reaffirm the IISS's commitment to full independence and excellence in all activities, along with the Trustees' determination that fundraising is maintained with the twin aims of guaranteeing the Institute's independence of thought and analysis, as well as maintaining the Institute's effectiveness as a strategic actor in a complex international environment.

The charity had no fundraising activities requiring disclosure under provisions of section 13 of the Charities (Protection and Social Investment) Act 2016.

ACHIEVEMENTS AND PERFORMANCE

Research Programmes

As an independent, non-partisan and international policy institute, the IISS is committed to advancing wider understanding of the critical security issues of the 21st century and their potential trends or resolution. A comprehensive research programme, which was reviewed and revised in 2022, covers these challenges and responds to them both thematically and regionally. The 30-member IISS Advisory Council, composed of distinguished members from around the world, assists the Institute on the intellectual direction of its activities. The programme has been defined under the broad categories of War, Power and Rules covering five strategic themes and nine regional concentrations:

- | | |
|---|---|
| ▪ Defence and Military Analysis | ▪ Indo-Pacific Defence and Strategy |
| ▪ Geo-Economics and Strategy | ▪ Japan Chair |
| ▪ Strategy, Technology and Arms Control | ▪ Latin America |
| ▪ Cyber Power and Future Conflict | ▪ Middle East |
| ▪ Conflict, Security and Development | ▪ Russia and Eurasia |
| ▪ China | ▪ South and Central Asian Defence, Strategy and Diplomacy |
| ▪ European Security and Defence | ▪ Southeast Asian Politics and Foreign Policy |

IISS research programmes actively contribute to a range of government and corporate briefings, convening external and IISS member events, delivering podcasts, and producing research and analysis for the wide range of IISS publications. The Institute has paid increasing attention to facilitating dialogue and conflict-resolution. This is achieved by bringing together parties in 'track-two' meetings, involving non-governmental experts, to discuss differences and consider how common interests can be advanced.

In the period under review, IISS research and research-related activities achieved notable impact on a number of fronts. The following is a list of key examples.

- The Defence and Military Analysis Programme (DMAP) in 2023 published reports on The Future of European Land Forces, Digitalisation of Defence in NATO and the EU, Software Defined Defence and, in conjunction with other IISS colleagues, Deterrence Failure in a Cross-Strait Conflict. DMAP

continued to implement the Missile Dialogue Initiative project, convening a series of meetings and publishing several research papers in this framework, including on Missiles, Deterrence and Arms Control, Beyond New START and on Russia's use of Ballistic and Cruise Missiles in its war in Ukraine. The DMAP team publish a weekly blog post on important defence developments.

- The Strategy, Technology and Arms Control (STAC) programme had a productive year, with grant awards from US European Command (USEUCOM), the Carnegie Corporation of New York (CCNY), the UK FCDO and the EU. The programme delivered two major reports: a report in tandem with IISS-Middle East researchers on mitigating the risks of an unconstrained Iranian nuclear programme and a report on Russian doctrine and military thought related to non-strategic nuclear weapons (NSNW). Three in-person workshops in Manama, Vienna and Prague brought together experts and officials from the US, Europe, Asia-Pacific and Arab countries to explore questions such as the Gulf order post-JCPOA and to discuss findings from both the CCNY and FCDO projects. Two hybrid workshops were convened with experts on Russian thinking and NSNW doctrine. Additional analyses on these topics included ballistic and cruise trajectories in Russia's War in Ukraine, and the expiry of UN limitations on Iran's missile exports. The programme has been delivering podcast episodes with arms control experts which continue to draw interest from participants and listeners.
- The Russia and Eurasia Programme published analysis across IISS publications on the politics, economics and diplomacy of the Russia-Ukraine war. It also addressed the crisis in the South Caucasus and major developments in Central Asia. The Programme maintained a high media profile (including op-eds in the New York Times and Financial Times, and frequent appearances on CNN). The Programme's grant-funded study of Western economic statecraft and Russia delivered two successful Roundtables in London and DC, with the latter cited in Congress the next day. These have influenced policy debates, especially on the issue of seizing Russian Central Bank assets in Western financial systems.
- The Geo-economics and Strategy Programme began work on two major *Adelphi* books in 2023 on various aspects of economic statecraft, including the evolution of Western sanctions policy, following Russia's invasion of Ukraine. The Programme has also hosted workshops looking at issues including the seizure of Russian central bank assets. The Programme has been active in providing analytical input at high level to governments and companies.
- The Japan Chair Programme published its second *Adelphi* in December 2023. The book is a compilation of the best articles and speeches written and delivered by Japanese scholars, secondees from Japan's Ministry of Foreign Affairs and leaders since the 1960s. The Programme also hosted a number of events, both in-person and virtual, including a speech at the IISS's London headquarters by Japan's Minister of Economy, Trade and Industry, Nishimura Yasutoshi. The team has continued to build on the *Japan Memo* podcast series, expanding the Institute's reach with its key audiences.
- The Cyber Power and Future Conflict Programme continued to expand its influence and reach through the 3rd Cyber Power Workshop that included heads or deputy heads of cyber intelligence and military cyber agencies for the Five Eyes and like-minded countries. The programme also hosted the 2nd Advanced Technology Workshop in Singapore for defence organisations from 15 countries. Notable publication milestones included work on cyber aspects of the Ukraine war and the second iteration of the Cyber Capabilities Net Assessment that included another 10 countries bringing the total countries assessed by the programme to 25.
- In 2023, the newly formed Indo-Pacific Defence and Strategy programme grew to compose two full-time research staff to help with research, project fundraising, and building the IISS-Asia office's profile as a leading hub for cutting-edge analysis on security, defence and foreign policy in the Asia-Pacific. New project funding was recently secured on South and Southeast Asian perspectives on nuclear escalation dynamics in the Asia-Pacific.
- The Southeast Asian Politics and Foreign Policy Programme analyses the connections between the politics and international relations of the region, with a focus on the consequences for conflict and diplomacy. The programme's Myanmar Conflict Map is the leading site for analysis of Southeast

Asia's most violent conflict since the end of the Cold War. It also hosts the annual Singapore Simulation, which is designed to test regional diplomatic responses to three geopolitical crises.

- The Middle East programme had a productive year. It produced two major research papers entitled *Mitigating the risks of an unconstrained Iranian nuclear programme* and *New Ambitions at Sea: Naval Modernisation in the Gulf States*, released a major multi-year study entitled *Gulf Bailout Diplomacy: Aid as Economic Statecraft in a Turbulent Region* as well as developing a database and an interactive website which provided context and analysis about major geopolitical developments, including the enlargement of the BRICS to include Middle Eastern states, the conflict in Syria, the de-escalation among major regional powers and defence modernisation in the region. Programme analysts also delivered numerous briefings to governments and private sector companies.
- Two new series of 'track 1.5' workshops, which involve both official government participation and non-governmental representatives, were added to the portfolio of the South Asia research programme. The first, on India-China tensions, was held in Singapore in April 2023 and brought Indian and Chinese policy communities 'face-to-face' for the first time in three years, following the Covid pandemic and their border clash. The second, facilitating policy-relevant discussions to further India-UK defence technological and industrial cooperation, brought together top UK and Indian officials, quasi-officials and experts in July 2023 at Arundel House. In June 2023, a report on nuclear deterrence and stability in South Asia was launched in New Delhi during an IISS team visit for a 'track 1.5' nuclear deterrence and doctrine workshop as well as discussions with top national security officials. A new engagement with the Taliban leadership is being planned. Top foreign policy and security officials participated in the South Asia research programme's regional conferences in Bahrain and Oman. Regular policy briefings to the FCDO took place.
- The Conflict, Security and Development Programme (CSDP) activities included the publication of the Armed Conflict Survey (ACS) 2023 (as referenced below). Work around climate security, non-state armed groups, political risks, and interventions in the aftermath of war, as well as conflict monitoring continued, with the production of online analyses, articles, chapters for the ACS and events.

Publications

This year the IISS has seen greater demand for print and online publications, particularly content focusing on the Russia/Ukraine conflict, with a 7% increase in print sales led by *The Adelphi series* and *The Military Balance*, and a 4% increase in online downloads driven by *Survival*.

Strategic Comments covered a range of international security and political-military topics in 2023. With both paid offerings through publisher Taylor and Francis, and selected editions offered free via the IISS website, topics published included Slovakia's populist new government, the surge of activity in relations between North Korea and Russia, the coup in Niger, sanctions on Russia's central bank, the domestic political climate in Iran, and the state of China-Russia cooperation over natural gas.

The Military Balance 2023 was launched in February, providing data and capability assessments for the armed forces of 173 countries. This edition included an assessment of key defence developments arising from the war in Ukraine as well as a range of regional and national policy and capability assessments, coming on top of the defence data relating to national armed forces and their inventories, and defence economics and procurement assessments, for which the book is well known. The wallchart provided an assessment of the military space assets of China, Russia and the United States.

The *Military Balance Plus* database combines multiple years of data and qualitative assessments with advanced search and graphical capability. During 2023, data holdings expanded further in the procurement data module, and in the equipment module with the addition of data relating to uninhabited maritime vehicles. IISS staff continue to develop new platform capability assessments in the database, giving users an assessment of the modernity of a country's inventory. The latest dataset relates to missile capabilities. The database represents a step change in defence analysis for the Institute and its core audiences in government, the armed forces, and private sector.

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The Institute's journal, *Survival: Global Politics and Strategy*, published six times per year, provides a platform for many of the leading thinkers in the field of international affairs to analyse and debate strategic questions. The April-May 2023 issue devoted considerable space to the Ukraine war one year later, featuring related articles by Nigel Gould-Davies, Maria Shagina and Franz-Stefan Gady and Michael Kofman's article on *Ukraine's Strategy of Attrition* became one of the most downloaded *Survival* articles at 14,194 in its first month of release. Also appearing were assessments of *Asia's Ukraine problem*, *Biden's National Security Strategy*, *Assessing proliferation risks in the Middle East* and *The trouble with nuclear assurance in the US and South Korea*.

The annual *Armed Conflict Survey* launches on 6 December, providing a review of the political, military and humanitarian dimensions of active armed conflicts globally in the period from 1 May 2022 to 30 June 2023. This edition's regional-focused approach also contains Regional Spotlight chapters on selected key conflict trends of regional and global importance, such as the centrality of security guarantees in Ukraine's future reconstruction efforts and the changing nature of jihadism in Sub-Saharan Africa. The *Chart of Armed Conflict* depicts the global conflict landscape's complexity through data referring to the proliferation and influence of non-state armed groups, as well as third-party involvement.

The Adelphi series is the Institute's principal contribution to policy-relevant, original academic research. March saw the publication of *Australia's Security in China's Shadow*, authored by Euan Graham. The book presents an analysis of the crucial Australia–China relationship, analysing the multifarious challenges that China poses to Australia's security and assessing the efficacy of Canberra's policy responses. The second *Adelphi* of the year, *Changing the Narrative: Information Campaigns, Strategy and Crisis Escalation in the Digital Age* by Lawrence Freedman and Heather Williams, provides a timely assessment of the extent to which the digital information environment has affected crisis dynamics and efforts by states to shape the narratives which frame international conflicts. November saw the publication of *Planning for Protraction: A Historically Informed Approach to Great-power War and Sino-US Competition* by Iskander Rehman, which analyses protracted great-power war throughout history to distil the key determinants of strategic performance. Rehman applies these insights to a possible conflict between China and the United States which would assume a more attritional character than many observers believe. In December, the Japan Chair team, Robert Ward and Yuka Koshino, published *Japan and the IISS: Connecting Western and Japanese Strategic Thought from the Cold War to the War on Ukraine*. This *Adelphi* helps the reader to understand the evolution of Japanese strategic thought from the 1960s until today and shines a light on the continuities and changes in this thinking.

In June, a new-look *Asia-Pacific Regional Security Assessment* was published, covering topics including US military posture in Asia, Japan's defence reforms, China's Belt and Road Initiative in the region, security threats to Taiwan and the security risks of climate change. The 2023 publication included a "digital first" web presence, making the dossier free to read and launching a simple and easy-to-navigate home page that allows users to read chapters online. Both online readership and social media commentary on the dossier increased as a result.

As well as the regular publications, the IISS continued to release publications in various formats that are disseminated to governments, businesses, think tanks and important thought leaders. In addition to these well-received reports a preview of the forthcoming 2024 Dossier *Turbulence in the Eastern Mediterranean* was presented at the Manama Dialogue 2023, along with the report on *Gulf Bailout Diplomacy: Aid as Economic Statecraft in Turbulent Region* which examines how the Gulf states have pursued bailout diplomacy to cultivate influence and shape their wider region. The IISS also published reports on cyber capabilities and national power, the future of NATO's European land forces, watching Iran: the ISR Gulf, and ballistic and cruise trajectories in Russia's war in Ukraine.

Dialogues, Lecture Series and Conferences

The Institute's international dialogues bring government officials together in a combination of formats and to address subjects that they might not be able to coordinate themselves. Under the international auspices of the Institute, it is often easier to arrange for discreet contacts to take place between government officials who wish to meet, but to do so unofficially and away from the public eye. In addition, the Institute organises lecture series and specialist conferences around the globe.

1. The Shangri-La Dialogue

Initiated in 2002, the Annual Asia Security Summit (IISS Shangri-La Dialogue) is the most important regular gathering of defence professionals in the region. Governments, the expert community, and the media have increasingly viewed the substance and tone of exchanges at the Dialogue as important indicators of the state of the region's security. The Shangri-La Dialogue provides a platform for participant countries' defence ministers and other principals to elaborate and clarify their countries' positions on important regional security topics. The Dialogue also allows senior regional defence leaders to develop and enhance cooperation with one another, notably through the hundreds of meetings which occur on the Dialogue's sidelines, aiming to develop a sense of common community and focus in the hope this might facilitate a move towards solutions to the many regional challenges.

The IISS held its 20th annual Shangri-La Dialogue (SLD) in Singapore from 2 to 4 June 2023. To mark the Dialogue's 20th anniversary, the IISS designed the most comprehensive and diverse agenda in the summit's history. This included an expanded programme of six special sessions, providing delegates with a more intimate setting to discuss issues in greater depth in a roundtable format. The strategic dynamic in the Asia-Pacific region naturally shaped the agenda of this year's Dialogue, which opened with a keynote address by Australian Prime Minister Anthony Albanese who noted the importance of communication and dialogue in times of rising tensions. Growing tensions between China and the United States, and the ongoing war in Ukraine were also major themes with Ukraine's defence minister Oleksii Reznikov attending the SLD for the first time.

The 2023 Dialogue welcomed 571 delegates, more than half of whom were from governments or the armed forces. Forty national delegations attended, with 42 government ministers present. On the sidelines of the summit, there were hundreds of meetings involving government delegations, with IISS facilitating over 120 of them. The Institute also organised the annual Southeast Asian Young Leaders' Programme (SEAYLP), where 37 young leaders from around the region and beyond discussed pressing security questions with senior officials and played a full part in the Dialogue's debates. The 2022 IISS Shangri-La Dialogue was delighted to be awarded 'Meeting/Conference of the Year' at the Singapore MICE Forum.

2. The Manama Dialogue

Since its inception in 2004, the IISS Manama Dialogue has become a central element in the Middle East's security architecture, where national leaders and ministers from the Middle East, North America, Europe, Asia, and Africa make major policy statements. The Dialogue also offers government delegations a bespoke occasion to consult bilaterally and multilaterally on the most pressing security and foreign-policy challenges.

The 18th IISS Manama Dialogue was convened from 18 to 20 November 2022. This Dialogue's theme was 'Rules and competition in the Middle East', providing an opportunity to reflect on the effects of the coronavirus pandemic, the disruption of energy markets and global supply chains, and the Russian invasion of Ukraine's challenge to the rules-based order. Director-General and CEO John Chipman opened the Dialogue with a discussion of strategic hedging and the interdependence of Europe, the Middle East, and the Indo-Pacific as 'theatres of geo-political competition'. The keynote address by European Commission President Ursula von der Leyen expanded on this, discussing the importance of increased cooperation between the European Union and Arab Gulf states in the fields of economy and maritime security, and highlighting the need for a coordinated approach to Iran. President von der Leyen also underscored European threat perceptions and the need to protect the international order following the Russian invasion of Ukraine and the proliferation of weapons in the Middle East, themes which arose throughout the course of the Dialogue.

The 2022 Dialogue welcomed more than 500 delegates from 46 countries in person, including dozens of ministers. In line with the IISS Manama Dialogue's goal of facilitating military and economic cooperation, 62 bilateral meetings were hosted on the sidelines of the event. Also attending were 20 senior journalists representing major regional and global outlets, alongside a press corps of over 50, providing important coverage and scrutiny. The IISS Manama Dialogue Young Leaders' Programme was also convened for the fourth time, with 26 carefully selected regional young leaders attending in person.

3. Lecture Series

The IISS Raffles Lecture series invites major figures in Asian and global affairs to speak on matters of international significance. Established in 2023, the series comprises around four lectures each year on questions of defence, international affairs, geo-economics and foreign policy, as well as issues ranging from energy policy, climate change and conflict resolution to domestic political change. The first IISS Raffles Lecture was given by the Qatari Prime Minister and Minister of Foreign Affairs, His Excellency Sheikh Mohammed, on 25 August 2023 who discussed the diplomatic role that small states can play in an era of rising geo-strategic competition, while also outlining Qatar's approach to deepening engagement in the Asia-Pacific region and beyond.

An IISS Special Lecture took place on 16 March 2023 with Admiral John C Aquilino, Commander of the US Indo-Pacific Command, who described how the rivalry between the US and China was impacting the regional security landscape.

Membership

The IISS retains a strong global membership base which comprises a broad spectrum of leading analysts, academics and military and government officials, and international companies. Members are actively connected to international and strategic affairs through access to the Institute's publicly available research and analysis disseminated via its publications, speaker events, member briefings and international conferences. Individual members are not directly involved in IISS governance, but form part of a unique global network supporting the work of the Institute and extending the Institute's reach in the world of international affairs. IISS Corporate Membership is designed to enable corporations and institutions to stay on top of world events by giving them a thorough understanding of international affairs, security issues and geopolitical and military conflicts, and to aid their strategic decision-making.

The Institute invites its membership to participate in discussion meetings at its London headquarters and overseas offices in Washington DC, Manama, Singapore, and Berlin, featuring IISS and guest speakers. Examples of the diverse range of in-person events and webinars held over the past year included:

On 27 October 2022, in a webinar on *'The rise of criminal states and implications for global security'*, experts Dr Louise Shelley from George Mason University, award-winning investigative reporter Paul Radu, Director of Risk for Thomson Reuters Mark Nuttall, IISS Associate Fellow Stefano Betti and IISS's Dr Irene Mia discussed the phenomenon of criminal states, its drivers and manifestations, emerging hotspots or trends to keep on the radar, and considered possible approaches to tackle the issue.

On 21 February 2023, the IISS Japan Chair held a webinar with experts from inside and outside Japan to discuss Japan's likely priorities for the G7 Hiroshima Summit in May as well as those of its G7 partners. Issues considered ranged from the sustainability of G7 sanctions against Russia, to energy and economic security and ways in which the G7 can support security in the Indo-Pacific and beyond.

On 9 March 2023, the IISS held an event, *'China's economy: Potential and constraints'*, in New York to examine China's domestic economy and the impact on Beijing's global activities. Panellists, Hunter Clark and Jeffrey Dawson from the Monetary Policy Research Division discussed China's underlying economic problems and their impact on policy, while Dr David Gordon discussed economic factors impacting China's global activities such as the Belt and Road Initiative.

On 22 June 2023, the IISS hosted a webinar with Dr Tobias Lindner, Minister of State at the Federal Foreign Office of Germany, who has played a key role in creating Germany's first National Security Strategy. Dr Lindner was joined by Dr Bastian Giegerich to discuss the Strategy, and its implications, with experts at the IISS and a global audience.

On 6 September 2023, the IISS Japan Chair hosted a dialogue, *'A New Japan-UK Alliance for Evolution'*, with Japan's Minister of Economy, Trade and Industry, His Excellency Nishimura Yasutoshi, to discuss how Japan and the UK can develop their partnership in the current complex global geopolitical environment. Bill Emmott, Chairman of the IISS Trustees, was the moderator.

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

For the year ended 30 September 2023, total income was £25,030,000 (2022: £24,539,000). The primary reason for this variance was the increased support for the Shangri-La Dialogue in 2023, offset by funding for the Riyadh Defense Forum and associated research programme in 2022.

Total expenditure for the year rose to £25,239,000, compared to £23,957,000 in 2022, which reflected the impact of high inflation across most operational costs, along with increased staff numbers.

After accounting for net losses on investment assets of £110,000 (2022: £729,000); foreign exchange losses of £111,000 (2022: £343,000 gains); and actuarial losses on the defined benefit pension scheme of £70,000 (2022: £514,000 gains); the net movement in funds for the year was a deficit of £500,000 (2022: £710,000 surplus).

As at 30th September 2023 and 2022, there was no liability on the defined benefit pension. Under the most recent actuarial valuation funding plan, the IISS had committed to reducing the pension liability through deficit funding payments of £60,000 per year.

Net cash inflow totalled £53,000 for the year (2022: £196,000), leaving total cash balances, including portfolio cash, of £6,462,000 at the year-end (2022: £6,409,000).

The group reported an improved net current asset position of £2,329,000 (2022: £2,129,000). Total net assets as at 30th September 2023 reduced to £26,272,000 (2022: £26,772,000).

Reserves

'Free reserves' are defined as unrestricted funds excluding designated funds and funds represented by tangible fixed assets, other than those financed by external loans.

The Institute's reserves policy has been determined by the Trustees after considering current and projected income streams and the Institute's expenditure profile. To ensure that the Institute is able to successfully meet its objects, the Trustees aim to hold free reserves equivalent to between 3 and 6 months operating expenditure. This target level of reserves will mitigate the risk of income fluctuations causing delays or cancellations to any expenditure commitments and ensure that planned activities can be completed. Furthermore, in the event of a significant drop in income levels there will be sufficient reserves in place to implement any necessary organisational changes.

As at 30th September 2023, the Institute held free reserves of £7,370,000 (2022: £7,017,000) which equated to approximately 5 months (2022: 5 months) of operating expenditure associated with unrestricted funds. Free reserves comprise IISS unrestricted general funds of £21,134,000, less tangible and intangible fixed assets of £13,764,000. At 30th September 2023, IISS restricted funds totalled £171,000 (2022: £140,000) and endowment funds totalled £4,967,000 (2022: £5,458,000). The Trustees continue to review the reserves policy in line with the Institute's financial resources.

Investment Policy and Performance

Cazenove Capital Management Ltd. manages the Institute's two investment portfolios. As at 30th September 2023 the market value of the main portfolio was £5,231,000 (2022: £5,031,000) and the asset allocation was: UK equity funds, 10% (2022: 12%); UK fixed-interest funds, 13% (2022: 11%); International fixed-interest funds, 1% (2022: 0%); International equity funds, 56% (2022: 51%); Portfolio funds 18% (2022: 24%) and Cash 2% (2022: 2%). Investment income for the year to 30th September 2023 from this portfolio amounted to £109,000 (2022: £80,000).

The overall investment objective of the main portfolio is to maximise its total return by achieving several percentage points above inflation, in line with constraints over risk. Portfolio performance and asset allocation are closely monitored by the Investment Committee in conjunction with the portfolio managers. The Institute considers this portfolio to be a long-term investment fund and operational cash flow

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demands are met through operational surpluses. The Investment Committee has adopted a diversified asset allocation strategy in keeping with its appetite for moderate risk. At 30th September 2023, portfolio returns over the previous year, three years, and five years as compared to UK CPI +4% and the ARC Steady Growth PCI (peer group comparator) were as follows:

Total Returns	1 year %	3 years p.a. %	5 years p.a. %
Portfolio	4.0	4.2	3.2
CPI+ 4%	10.9	10.8	8.5
ARC (peer group)	4.8	2.7	2.4

The Institute's second portfolio is an expendable endowment fund, invested in a Charity Multi-Asset Fund (CMAF). The CMAF generates an annual pay-out of 4% and enables the Institute to drawdown the approved funds required to meet all costs associated with the Japan Chair research position. As at 30th September 2023, the market value of the Japan Endowment Fund was £4,996,000 (2022: £5,497,000) and the asset allocation was Charity Multi-Asset Fund (CMAF) 100% (2022: 100%), of which 65% was equities (2022: 70%).

The IISS and the Economic Climate

The Institute's Dialogue activities and publications are protected by multi-year agreements that provide guaranteed levels of income. As referenced above, the Institute has received expendable endowment funding in support of a Japan Chair providing guaranteed financial support for a senior research post.

The Institute's commercial trading subsidiary, Arundel House Enterprises Limited (AHEL), experienced difficult commercial trading conditions due to disruption from rail strike but minimised any losses on its catering and event activities with a low fixed cost base.

With the continued financial and currency market instability, the strong equity market performance in the IISS investment portfolio was offset by poor performance of alternative funds, notably property, during 2023. The Investment Committee continues to monitor closely its diverse portfolio of investment funds that includes non-sterling denominated exposure in equities and bonds.

The Institute naturally hedges its foreign currency transactions, minimising conversion as far as possible to avoid exchange rate losses.

Financial health

As outlined in the Financial Review, the Trustees consider the Institute's financial health to be sound. As at 30th September 2023, the Institute held investment assets totalling £10.2 million and cash on the balance sheet of £6.3m with no loan liabilities, compared to investment assets of £4.9 million, £3m of cash and a building loan liability of £3million in 2013, demonstrating a clear strengthening in the Institute's financial position over the past 10 years.

As a result of the income security provided by the diverse revenue sources and multi-year funding arrangements outlined above, and in considering budgets and forecasts covering the period to 30th September 2026, the Trustees are confident that the Institute can be considered a going concern for the foreseeable future. Accordingly, there are no material uncertainties surrounding the preparation of the financial statements on a going concern basis. The global nature of IISS operations and funding sources has also contributed towards further income diversity that has helped to mitigate risk during this time of continued economic uncertainty.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the Institute and are satisfied that systems are in place to manage exposure to the major risks.

The most significant potential risks, as identified by the Institute's Risk Register, are actively managed in the following manner:

Damage to the Institute's reputation	As reiterated in the Institute's 'Statement of Values' and 'Policy on financial transparency confidentiality and effectiveness', the IISS firmly states and demonstrates its commitment to independence and excellence when conducting all activities, with staff training in place to ensure awareness and understanding of the Institute's policy. Trustees have ultimate oversight over potential donors and funding sources.
A material weakening in the Institute's financial position and funding levels	Continued efforts to diversify revenue streams to ensure no over-reliance on one source of income. Multi-year agreements are in place for key funders. Liquidity and foreign exchange positions are monitored regularly through weekly cash flow forecasts and external currency specialists. A well-diversified investment portfolio mitigates risk in the event of poor performance of any one asset class. A three-year forecasting and response-planning model is updated regularly and monitored by the Trustees. As required, adaptation of activities to ensure contractual and funder obligations are met.
A major failure of the Institute's IT systems caused by internal or external factors	Principal systems, architecture, and software (including cloud servers, fail-over, disaster recovery, and protective programmes) have been designed drawing on external professional advice to provide best practice stability and security. In recognition of the increasing cyber threat, additional security measures have been introduced to detect and counter attacks.
Failure to maintain the existing high level of Institute staff expertise	Retention measures in place include competitive pay, benefits and working conditions. The competency framework ensures well-structured performance and development reviews. Consulting Fellows and membership base are drawn on when in-house expertise is not available. Adapted working practices have enabled hybrid home and office-based working for staff.

In addition to the review of the risk register by senior management, the Audit Committee and the Trustees, financial performance is evaluated at the Trustee meetings held four times each year. The Institute's investments and financial resources are monitored by the Investment Committee, which meets four times a year. Ongoing internal controls over these risks, as well as measures to mitigate exposures and financial loss, are exercised on a daily basis by the Institute's Directing staff.

FUTURE PLANS

Looking ahead, the IISS remains focused on its mission to shape and enable strategic discussion and inter-governmental dialogue, and to provide impartial analysis on major international security issues as a means of informing the public debate and assisting conflict resolution and prevention. The Institute will continue to fulfil this mission through its primary activities of research, dialogues, conferences, lectures, publications, online databases and outreach to governments, the private sector and the expert and opinion-forming communities. The main objectives for the forthcoming year ending 30th September 2024 are:

- **Research** – the Institute will continue to produce new research and analysis under the rubrics of War, Power and Rules. Under War, the IISS will address the changing shape of conflict, including

state-on-state warfare, cyber power, and the security-development nexus, as well as refining the state of the art of defence economics and examining the military implications of advanced technologies. The Power stream will include geo-economics and strategy, economic and financial sanctions in a multipolar system, and regional security dynamics in the Eastern Mediterranean. The Rules stream will address the changing nature of international law, the impact of legal diplomacy exercised by major powers, and the requirement to continue to modernise the rules-based order. It will also consider approaches to arms control in the fields of AI, robotics and unmanned vehicles.

- **Digital content** – In 2024 the IISS will aim to continue to grow its *Military Balance Plus* customers in government, the private sector and the analytical community to generate a strong revenue stream to support IISS research and the Institute's overall mission. The Institute will continue to develop other forms of digital content, such as interactive maps, as alternative means to present the Institute's research and analysis and engage more widely with IISS stakeholders. Following a successful website development project, the website showcases IISS content more prominently and with improved accessibility. The web presence now conveys a more dynamic image of the Institute and makes IISS research priorities clearer to external audiences. In 2024, the IISS will invest in technology and skills to help develop new solutions for research supply and demand at the Institute.
- **Overseas offices** – Investment in its international offices and staff remains a priority to ensure that all research activity is infused with both local and regional expertise yet blended with an international perspective, while also reaching the widest possible audience and engaging a new generation of young analysts internationally. In 2024, the priority of the newest overseas IISS office in Berlin will be to continue deepening IISS engagement with European powers, expanding the IISS analytical footprint in Berlin and extend IISS convening activity in other European countries. The IISS Asia office in Singapore, the IISS Middle East office in Bahrain and the IISS Americas office in Washington, DC will continue to develop strategies to raise further funds and diversify the Institute's funding base in their respective regions.
- **Fundraising** – During 2024, the Institute will continue its efforts to identify opportunities for major annual gifts or for the establishment of research endowments at the IISS to support pertinent research positions.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Institute is governed by Articles of Association lodged with the Registrar of Companies and the Charity Commission for England and Wales.

The Institute's Articles of Association reflect current best practices and the requirements of the Companies Act 2006 and recognise the fiduciary responsibilities carried by the Institute's Trustees. Revised Articles of Association were formally lodged with the Charity Commission on 2nd May 2019.

The Trustees constitute Directors for the purposes of the Companies Act, and act as Trustees for the purposes of the Charities Act. As required by the Articles of Association, all are Members of the Institute. They receive no remuneration for their services. Upon appointment new Trustees are provided with an induction pack, which includes copies of the Institute's governing documents as well as information about the Institute's activities and finances. Training is available for all Trustees at any time as required.

In accordance with the Articles of Association, a Trustee can be elected by ordinary resolution or by a decision of the Trustees. A new Trustee may be proposed and considered for election by the existing Trustees. The Trustees delegate the exercise of certain powers in connection with the administration of the Institute as set out below.

The Trustees are aware of the Charity Governance Code published in 2020 which sets out the principles and recommended practice for good governance within the sector. The Institute has reviewed its current governance arrangements against the principles within the code and addressed any issues raised where required.

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Audit Committee

The task of monitoring the Institute's financial control systems and the management of major risk is delegated to the IISS Audit Committee. The current membership of the Audit Committee is:

Chris Jones (Chair of Committee & Honorary Treasurer)

Matthew Symonds

Florence Parly (appointed 8 January 2024)

Investment Committee

The IISS Investment Committee is empowered to receive advice from the Investment Managers and to vary the investment policy at any time. The current membership of the Investment Committee is:

Chris Jones (Chairman of Committee & Honorary Treasurer)

Grace Skaugen

Matthew Symonds

Trustee Remuneration and Employment Committee

The IISS Remuneration Committee is responsible for the annual review of the Director-General and Chief Executive's remuneration package, with oversight of the Institute's overall human resources policies. The current membership of the Remuneration Committee is:

Bill Emmott (Chair of Committee and Chair of the IISS Trustees)

Chris Jones (Honorary Treasurer)

Caroline Atkinson

Neha Aviral

Nominations Committee

The IISS Nominations Committee is responsible for proposing new Trustees to the Board. The current membership of the Nominations Committee is:

Bill Emmott (Chair of Committee and Chair of the IISS Trustees)

Matthew Symonds

Grace Skaugen

Director-General and Chief Executive

The Director-General and Chief Executive is responsible for the day-to-day management of the Institute's affairs and for implementing policies agreed by the Trustees. The Director-General and Chief Executive is assisted by senior management.

The Board of Trustees appointed Dr Bastian Giegerich as successor to Sir John Chipman as Director-General and Chief Executive from 1 October 2023. Sir John Chipman moved into a part time role as Executive Chairman, an appointment that has assured key funders and other stakeholders of continuity in our most important relationships.

Remuneration Policy

The IISS's remuneration policy and practices reflect the Institute's objectives of good governance combined with the need to attract and retain the best talent internationally. This policy aims to support the sustained growth and development of the Institute and its employees and to ensure that the Institute is able effectively to carry out its mission to provide objective information and analysis on geopolitical change as well as facilitate conflict resolution and the maintenance of international peace and security.

The Institute's Staff Remuneration Committee, which consists of the Director-General and Chief Executive; the Director of Finance; and the Director of Human Resources, carries out promotion decisions and an annual salary review with increases awarded for individual performance linked to a

'competency framework'. This review incorporates IISS key management personnel, with the exception of the Director-General and Chief Executive. Salaries are positioned between the upper end of the charitable sector and middle of the corporate sector to ensure the Institute can compete globally in recruiting and retaining talent from the private sector, governments, and the international expert community. A review of market rates with reference to available salary surveys is undertaken regularly.

As referenced above, the IISS Trustee Remuneration and Employment Committee annually reviews the remuneration package of the Director-General and Chief Executive and the Institute's overall human resources policies, including salary rates and staff benefits. Remuneration packages may consist of fixed elements such as salary, pension, life assurance and private medical insurance; and a variable element of a discretionary performance-based bonus payment. Employee benefits are reviewed annually.

The Trustees are invited to approve annually the staffing and salary budget and forecast for the year. This includes senior management. No Trustees are remunerated but travel expenses are reimbursed.

Public Benefit

The Trustees have given due consideration to the Charity's Commission's published guidance on the Public Benefit Requirement under the Charities Act 2011.

The beneficiaries of the Institute include individuals and organisations within the political, diplomatic, defence and academic fields, the public in general, international agencies and governments worldwide. The interests and concerns of these groups are constantly evolving, and the charity's development is influenced by the need to continue to address their current interests and concerns. As clearly evidenced in this report, the Institute has successfully reached these audiences during the year under review.

In the UK, the Institute's staff have regularly provided facts and evidence-based analysis on geo-strategic and geo-economic trends to key members of the expert media, parliamentarians, civil servants and ministers. Internationally, the Institute has provided unique defence diplomatic platforms in the Middle East and Asia that have facilitated high level consultations on defence issues and conflict resolution that has also engaged Europeans and North Americans. It has published evidence-based research that numerous governments have found added value to their internal assessments. The Institute has also briefed various inter-governmental organisations, including NATO and the EU, on important issues of public policy and has provided evidence to a number of parliamentary enquiries. It continues to put into the public domain the best available information on a wide range of international issues to ensure a more informed public debate.

Group Structure

IISS Middle East

The IISS Middle East branch office in Manama, Bahrain was established as a base for the Institute's many research programmes and activities throughout the region and serves to connect IISS activities in Europe, North America and Asia with those in the Middle East. Since its foundation in May 2010, the office has built a strong cohort of experts and administrative staff who work closely with the entire IISS global network to provide not just first-class information and analysis on Middle East and broader international strategic issues, but also strengthen links between the strategic community in the Middle East and those in other parts of the world.

Since 2004 the IISS has held annually the IISS Regional Security Summit: The Manama Dialogue in Bahrain. Full details of the Dialogue can be found on page 7.

The International Institute for Strategic Studies – US (IISS-Americas)

IISS-Americas is a branch of the IISS located in Washington DC. During the year, IISS-Americas continued its efforts to engage and expand the IISS membership base in the region, promote IISS activities and research to a North American audience of government leaders and policy shapers, and cultivate relationships with US policy makers to ensure strong US representation at the dialogues. The office held both live events and utilised its capacity to hold hybrid events to continue outreach to a global audience. This has served to reinforce the reputation of IISS-Americas as representing a vibrant, international, intellectual community.

Arundel House Enterprises Limited (AHEL)

AHEL is a wholly owned trading company with revenue arising from the letting of facilities and provision of event catering at Arundel House and the provision of Consultancy services. The company reported a profit for the year of £155,000 before gift aid (2022: £199,000).

The International Institute for Strategic Studies (Asia) Limited (IISS-Asia) and the Strategic Studies Fund (SSF)

IISS-Asia is a company limited by guarantee registered in Singapore. In January 2023, IISS-Asia again convened the IISS Shangri-La Dialogue Sherpa Meeting, an important inter-sessional activity of the Shangri-La Dialogue process. As detailed on page 7, the Shangri-La Dialogue was held from 2 - 4 June 2023, whilst the inaugural Raffles Lecture was held in August 2023.

Notably, IISS-Asia research staff edited the annual *Asia-Pacific Regional Security Assessment* and organised and participated in IISS webinars on Asia-Pacific security. IISS-Asia also took the lead in recruiting and servicing IISS members in Singapore and the wider Asia-Pacific region.

The SSF is a trust fund established in Singapore for the purpose of raising funds to be applied in Singapore towards activities relevant to the objectives of the Institute and of benefit to the Singapore community. The results for IISS-Asia and the SSF are consolidated on the basis that the Institute holds a majority of the voting rights in IISS-Asia and has ultimate discretion over the disbursement of SSF funds and over its activities.

IISS India Organisation – (IISS-India)

IISS-India is a non-profit subsidiary of IISS with its registered office in New Delhi. It was established in August 2014 to assist in the expansion of IISS activities and reach in India and the South Asia region.

IISS Europe gemeinnützige GmbH (IISS-Europe)

IISS-Europe was incorporated as a non-profit subsidiary of IISS on 4 November 2019, with its registered office in Berlin, established to deepen IISS engagement with European powers, expand its analytical footprint in Germany and play an active part in shaping the security and defence debate in Germany and the EU. The IISS-Europe office includes research and operational staff in support of a broad five-year research programme on 'Power shifts and the evolving international order: Strategic challenges for Germany and Europe'.

Statement of Trustees' Responsibilities

The Trustees (who are also directors of The International Institute for Strategic Studies for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and accounting standards (FRS102).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Trustees at the date of this report is aware, there is no relevant audit information of which the charity's auditor is unaware. Each Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

Corporate Governance

Processes are in place to ensure that performance is monitored and that appropriate management information is prepared and reviewed regularly by both the executive management and the Trustees.

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- an annual budget approved by the Trustees;
- regular consideration by the Trustees of both financial and non-financial results; and
- delegation of day-to-day management authority and segregation of duties.

Auditors

Crowe U.K. LLP has indicated its willingness to be reappointed as statutory auditor.

The Strategic Report and Report of the Trustees was approved by the Trustees in their capacity as Company Directors on 28 February 2024 and signed on their behalf by:



Bill Emmott
Chair of the Trustees

The International Institute for Strategic Studies

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REFERENCE AND ADMINISTRATIVE DETAILS

The International Institute for Strategic Studies, also known as the IISS, is a registered charity and a company limited by guarantee. The liability of each Board of Trustees member under the guarantee does not exceed the sum of £1.

Registered Office Arundel House
6 Temple Place
London
WC2R 2PG

Company Number 615259

Charity Number 206504

Trustees

Chair Bill Emmott

Vice-Chair Chung Min Lee

Hon Treasurer Chris Jones

Professor Dr Kurt Lauk (resigned 7 November 2023)
Jens Tholstrup (resigned 7 November 2023)
Matt Symonds (resigned 22 February 2023)
Matthew J Symonds
Caroline Atkinson
Dr Grace Skaugen
John Brennan
Neha Aviral
Hakeem Belo-Osagie (appointed 22 February 2023)
Florence Parly (appointed 11 July 2023)

During the year under review, Hakeem Belo-Osagie was appointed to the Board on 22 February 2023, Florence Parly was appointed to the Board on 11 July 2023, whilst Matt Symonds resigned on 22 February 2023, and Jens Tholstrup and Professor Dr Kurt Lauk resigned on 7 November 2023.

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Executive Directing Staff

Director-General and Chief Executive

Sir John Chipman (resigned 1 October 2023)
Dr Bastian Giegerich (appointed 1 October 2023)

Director of Geo-Economics; Japan Chair

Robert Ward

Director of Regional Security

Emile Hokayem (appointed 18 October 2022)

Director of Defence and Military Analysis

Dr Bastian Giegerich (resigned 1 October 2023)

Director of Finance

Sally Taylor

Director of Operations

Dr John Hobart

Director of HR

Jane Graham

Director of Editorial Services and Digital Strategy

David Tomchak (appointed 9 January 2023)

Executive Director, IISS-Asia

James Crabtree (resigned 5 December 2023)

Executive Director, IISS-Middle East

Sir Thomas Beckett

Executive Director, IISS-Europe

Dr Ben Schreer

Executive Director, IISS-Americas

Ernest J Herold (resigned 31 December 2022)

Agents and Advisers

Legal Advisers

Stone King Sewell LLP,
13 Queen Square, Bath BA1 2HJ

Bankers

HSBC Bank plc, 60 Queen Victoria Street,
London EC4N 4TR

Investment Managers

Cazenove Capital Management (part of Schroder & Co. Limited),
12 Moorgate, London EC2R 6DA

Pension Fund Managers

Mobius Life,
7th Floor, 20 Gresham Street, London EC2V 7JE

Pension Consultants

Mercer (formerly JLT Benefit Solutions),
The St Botolph Building, 138 Houndsditch, London EC3A 7AW

Auditor

Crowe U.K. LLP, 2nd Floor,
55 Ludgate Hill, London EC4M 7JW

Independent Auditor's Report to the Members of The International Institute for Strategic Studies

Opinion

We have audited the financial statements of The International Institute for Strategic Studies ('the charitable company') and its subsidiary ('the group') for the year ended 30 September 2023 which comprise the Consolidated Statement of Financial Activities, Consolidated and Charity Balance Sheets, Consolidated Cash Flow Statement and notes to the financial statements, including 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 the charitable company's affairs as at 30 September 2023 and of the group's income and receipts of endowments and expenditure, 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 Companies Act 2006.

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 in accordance with the ethical requirements that are 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 relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the Trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) 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 charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of noncompliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether

due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011, together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's and group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity and the group for fraud. The laws and regulations we considered in this context for the UK operations were taxation legislation, employment legislation and General Data Protection Regulation (GDPR). We also considered compliance with local legislation for the group's overseas operating segments.

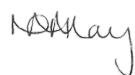
Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing surrounding recognition income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Nicola May
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor

London

Date: 18 March 2024

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2023

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating an income and expenditure account)

Year ended 30th September 2023

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2023 £'000	Total Funds 2022 £'000
Income from:						
<i>Donations</i>	2	3,053	-	-	3,053	2,951
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	3	9,930	-	-	9,930	9,690
Research programmes	3	1,090	6,589	-	7,679	8,472
Publications		1,480	-	-	1,480	1,297
Membership		1,890	-	-	1,890	1,442
<i>Other trading activities</i>		515	-	-	515	346
<i>Investments</i>		109	234	-	343	315
<i>Capital applied to income</i>			327	(327)	-	-
<i>Other income</i>		140	-	-	140	26
Total		18,207	7,150	(327)	25,030	24,539
Expenditure on:						
<i>Raising funds</i>		86	-	-	86	114
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	4	7,366	-	-	7,366	7,999
Research programmes	4	5,055	7,119	-	12,174	11,346
Publications	4	4,700	-	-	4,700	3,924
Membership	4	554	-	-	554	426
<i>Other trading activities</i>		359	-	-	359	148
Total		18,120	7,119	-	25,239	23,957
Net (losses)/ gains on investments	17	54	-	(164)	(110)	(729)
Net (expenditure) /income		141	31	(491)	(319)	(147)
Transfers between funds	12	-	-	-	-	-
Other recognised gains/(losses):						
Foreign exchange (losses) / gains		(111)	-	-	(111)	343
Actuarial (losses)/ gains on defined benefit pension schemes	14	(70)	-	-	(70)	514
Net movement in funds		(40)	31	(491)	(500)	710
Funds brought forward at 1 October 2022	12	21,174	140	5,458	26,772	26,062
Funds carried forward at 30 September 2023	12,13	21,134	171	4,967	26,272	26,772

All amounts relate to continuing operations and, as all gains and losses are included, a separate statement of total recognised gains and losses has not been presented.

The notes on pages 26 to 47 form part of these accounts

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2023

CONSOLIDATED BALANCE SHEET (Company Number 615259)

As at 30th September 2023

	Notes	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	6	583	462
Tangible assets	7	13,132	13,657
Investments	8	10,228	10,524
Total Fixed assets		23,943	24,643
Current assets:			
Debtors	9	5,023	3,741
Cash at bank and in hand		6,335	6,301
Total Current assets		11,358	10,042
Liabilities:			
Creditors: Amounts falling due within one year	10	(9,029)	(7,913)
Net current assets / (liabilities)		2,329	2,129
Total assets less current liabilities		26,272	26,772
Net assets excluding pension liability		26,272	26,772
Defined benefit pension liability	14	-	-
Total net assets	13	26,272	26,772
The Funds of the charity			
Expendable endowment funds	12	4,967	5,458
Restricted income funds	12	171	140
Unrestricted income funds	12	21,134	21,174
Pensions reserve	12	-	-
Total unrestricted funds	13	21,134	21,174
Total charity funds	13	26,272	26,772

The consolidated balance sheet includes the assets, liabilities and funds of The International Institute for Strategic Studies (Asia) Limited, Arundel House Enterprises Limited, IISS India Organisation, IISS Europe gemeinnützige GmbH, and the Strategic Studies Fund.

The accounts were approved and authorised for issue by the Trustees on 28 February 2024 and signed on their behalf by:



Bill Emmott
Chair of the Trustees

The notes on pages 26 to 47 form part of these accounts

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2023

CHARITY BALANCE SHEET (Company Number 615259)

As at 30th September 2023

	Notes	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	6	584	463
Tangible assets	7	12,884	13,227
Investments	8	10,228	10,524
Total Fixed assets		23,696	24,214
Current assets:			
Debtors	9	3,921	3,767
Cash at bank and in hand		2,623	3,733
Total Current assets:		6,544	7,500
Liabilities			
Creditors: amounts falling due within one year	10	(5,846)	(5,496)
Net current liabilities		698	2,004
Total assets less current liabilities		24,394	26,218
Net assets excluding pension liability		24,394	26,218
Defined benefit pension liability	14	-	-
Total net assets		24,394	26,218
The Funds of the charity			
Expendable endowment funds	12	4,967	5,458
Restricted income funds	12	128	76
Unrestricted funds	12	19,299	20,684
Pensions reserve	12	-	-
Total unrestricted funds	13	19,299	20,684
Total funds including pensions reserve	13	24,394	26,218

The unconsolidated deficit incurred by the Charity in 2023 was £1,830,000 (2022: surplus £2,118,000)

The accounts were approved and authorised for issue by the Trustees on 28 February 2024 and signed on their behalf by:



Bill Emmott
Chair of the Trustees

The notes on pages 26 to 47 form part of these accounts

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2023

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended 30th September 2023

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flows from operating activities:					
Net cash (used in) / provided by operating activities	17		39		541
Cash flows from investing activities:					
Dividends, interest and rents from investments		343		315	
Purchase of property, plant and equipment		(235)		(473)	
Proceeds from sales of property, plant and equipment		-		-	
Purchase of software and website costs		(356)		(368)	
Purchase of investments		(1,330)		(1,179)	
Proceeds from sales of investments		1,592		1,360	
Net cash (used in) provided by investing activities			14		(345)
Net cash provided by (used in) financing activities			-		-
Change in cash and cash equivalents in the year			53		196
Cash and cash equivalents at the beginning of the reporting period			6,409		6,213
Cash and cash equivalents at the end of the reporting period	18		6,462		6,409

The notes on pages 26 to 47 form part of these accounts

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Status

The Institute is a registered charity and a company limited by guarantee, incorporated in England and Wales. Its registered office address is Arundel House, 6 Temple Place, London WC2R 2PG. The Trustees constitute Directors for the purposes of the Companies Act and act as Trustees for the purposes of the Charities Act. The charity is a Public Benefit Entity.

b) Accounting convention

The accounts of the Charity and the Group have been prepared under the historical cost convention as modified by the revaluation of investments and in accordance with FRS102. The accounts are prepared in accordance with the Companies Act, and the current Statement of Recommended Practice: 'Accounting and Reporting by Charities' (SORP). The functional and reporting currency of the Group is GBP.

Basis of consolidation

The accounts include the assets, liabilities and funds, and the statement of financial activities of the charity and its subsidiary undertakings. Subsidiaries' activities are consolidated on a line by line basis. A separate statement of financial activities has not been prepared for the Charity alone as permitted by Section 408 of the Companies Act 2006.

Going concern

After making enquiries, the Trustees have reasonable expectation that the charity has adequate resources to continue its activities for the foreseeable future, and are satisfied that there are no material uncertainties surrounding the ability of the group to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the financial statements as outlined in the Trustees' Report above.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in this note, trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

Significant areas of estimate and judgement include provisions, income recognition, and assumptions used to value the defined benefit pension scheme and the remaining useful life of assets. Related accounting policies for these items are noted below. The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the presentation of the financial statements are as follows:

c) Investments

All investments are valued at their mid-market value at the balance sheet date, which gives rise to unrealised gains and losses. The differences between the carrying value (or cost if acquired during the year) and the proceeds of liquidated investments are identified as realised investment gains or losses. Realised and unrealised gains and losses are presented net in the Statement of Financial Activities.

Investment income and related tax credits are accounted for when received.

d) Restricted funds

Restricted funds are funds subject to specific restrictive conditions imposed by donors or by the purpose of the funds raised.

e) Expendable Endowment funds

The expendable endowment fund is treated as capital until the right to transfer funds to income and expend in accordance with the donor conditions has been granted.

f) Tangible fixed assets and depreciation

Furniture, fittings and equipment acquisitions are stated at cost. Freehold buildings are stated at cost. Depreciation is charged when assets are brought into use. The following depreciation policies are applied consistently across the group over the useful economic lives of the assets on a straight line basis:

- i) Computers, printers and other electronic equipment with functional unit costs in excess of £1,000 are depreciated over a period of three years.
- ii) Furniture, fittings and equipment of a non-electronic nature with unit costs in excess of £250 are depreciated over a period of five years.
- iii) Plant and machinery items with unit costs in excess of £1,000 are depreciated over a period of ten years.
- iv) Leasehold improvements with unit costs in excess of £1,000 are depreciated over the life of the lease.
- v) Freehold Building improvements with unit costs in excess of £1,000 are depreciated over a period of fifteen years.
- vi) Freehold building depreciation is charged at 1% using the straight line basis.

No depreciation is charged on freehold land or on assets in the course of construction.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2023

g) Intangible fixed assets and amortisation

Website costs and software acquisitions are stated at cost. Amortisation is charged when assets are brought into use. The following amortisation policy is applied consistently across the group:

- i) Software and website costs in excess of £1,000 are depreciated over their useful economic lives on a straight line basis over a period of three years.

No amortisation is charged on assets in the course of development.

h) Debtors

Debtors are stated in the balance sheet at estimated net realisable value, being the invoiced amount less any provision for bad and doubtful debtors. Provisions are made specifically against debtors where there is evidence of a dispute or an inability to pay. An additional provision is made against older balances.

i) Cash at bank and in hand

Cash includes cash-in-hand, cash-at-bank and bank overdrafts. Bank loans are included within Creditors.

j) Creditors

Trade and other creditors: Trade and other creditors are stated at cost.

k) Foreign currency

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

Foreign currency subsidiaries are translated into UK£ Sterling on the following basis:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at average exchange rates for the financial year; and
- all resulting exchange differences are taken to the Statement of Financial Activities.

l) Publications and membership income

Publications revenue advanced to the Institute under agreement with the publishers is recognised during the financial year in which the sale arises. An estimate of additional royalty income due up to 30 September 2023, to be received in early 2024, has been made in these financial statements.

Membership income is recognised on the subscription period start date. Any income invoiced in advance of the subscription period start date is deferred and recognised in the relevant accounting year.

m) Grants

Research grants are credited to the Statement of Financial Activities in accordance with the progress and performance of the grant programme activities. Income for Dialogues is recognised to the extent that the event has been planned and progress work completed in line with the contract.

When donors specify that grants are for particular restricted purposes, this income is included in incoming resources of restricted funds.

n) Deferred income

Income is deferred to future periods where the donor has placed an external restriction that the income should be used in those future periods or where the Institute has not fully earned entitlement to that income.

o) Expenditure

Expenditure is classified under the principal categories of Raising Funds, Charitable Activities, Commercial Activities Operating Expenditure and Financing Costs.

Charitable activities costs comprise all expenditure directly related to the objects of the Institute including direct staff costs attributable to each activity, together with a corresponding apportionment of central support costs.

Support costs are apportioned to charitable activities by a method based on the average headcount of employees allocated to each activity for the financial year.

Knowledge and Information expenses are included within support costs.

Financing Costs comprise those costs directly attributable to investment managers' fees/commissions and borrowing costs incurred in relation to financing.

Raising Funds comprise those costs directly attributable to fundraising activities.

Other Trading Activities Operating Expenditure comprise all costs incurred by Arundel House Enterprises Limited in delivering its catering, event and consultancy activities.

Expenditure is accounted for on an accruals basis.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2023

p) Leasing

Rental costs under operating leases are charged to the Statement of Financial Activities in equal amounts over the period of the leases.

q) Pension costs

The Institute maintains a contributory defined benefit pension scheme which was closed to new entrants in 2001. The assets of the scheme are held separately from those of the Institute being invested in managed funds. The pension scheme is accounted for in accordance with FRS102 Retirement Benefits.

The Institute has defined contribution pension schemes which are open to all employees and also contributes to the personal pensions of some employees. Contributions to the scheme are accounted for when payable. Further details of all pension schemes can be found in Note 14.

r) Redundancy and termination payments

Redundancy and termination payments only occur when absolutely necessary as the Institute seeks to minimise organisational change. When redundancy or termination payments do arise, they are charged on an accruals basis and included with Staff Costs.

s) Knowledge and Information Services

The Knowledge and Information Services (formerly the Library) holds a comprehensive collection of books, journals, pamphlets and online resources covering a broad range of current international relations, security and defence topics. The collection is regularly updated for continued use by IISS research staff. New publications are expensed through the SoFA and the library does not hold any valuable publications which may require inclusion on the Balance Sheet.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2023

2 Donations

	2023 £'000	2022 £'000
Donation in support of the IISS-Middle East office and related research activities	3,053	2,901
Other	-	50
	3,053	2,951

3 i) Dialogues, conferences and lecture series

	2023 £'000	2022 £'000
Manama Dialogue	4,211	3,728
Shangri-La Dialogue	5,521	4,055
Riyadh Defense Forum	-	1,818
Lecture series	198	89
	9,930	9,690

Funding for dialogues, conferences and lecture series received during the year from UK and international Governments totalled ££9,493,000 (2022: £9,561,000).

3 ii) Research programmes

	2023 £'000	2022 £'000
South and Central Asian Defence, Strategy and Diplomacy	1,146	1,033
Strategy, Technology and Arms Control	1,410	529
Europe	85	447
US Foreign policy and transatlantic affairs	-	209
Defence & Military Analysis	2,009	1,897
Conflict, Security & Development	-	-
Geo-Economics & Strategy	190	419
Middle East	120	1,111
Southeast Asian Politics and Foreign Policy	1,615	1,546
Cyber Power and Future Conflict	898	1,144
Japan Chair	72	92
China	94	-
Other Research Programmes	40	45
	7,679	8,472

Funding for research projects received during the year from UK and international Governments totalled £4,362,000 (2022: £4,624,000)

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2023

4 i) Analysis of expenditure - charitable activities and governance

Group

	Staff costs £'000	Other direct costs £'000	Depreciation charges £'000	Exchange (gains) /losses £'000	Allocation of support costs £'000	Total 2023 £'000	Total 2022 £'000
Charitable activities							
<i>Primary costs</i>							
Dialogues and conferences	1,455	3,962	-	-	1,949	7,366	7,999
Research programmes	4,932	3,183	62	-	3,998	12,174	11,346
Publications	1,979	167	35	1	2,517	4,700	3,924
Membership	104	44	-	(2)	407	554	426
<i>Support costs</i>							
Support operations	5,205	2,826	835	5	(8,871)	-	-
Total 2023	13,676	10,182	932	4	-	24,794	23,695
Total 2022	12,868	9,785	766	276	-		23,695

The above table analyses by expense category the costs related to the charitable activities and the governance of the Institute. Charitable activities costs include both primary costs, which are directly attributable to specific charitable activities, and centrally incurred support costs. The total support costs are then apportioned across the specific activities in accordance with the average headcount of employees allocated to each activity for the financial year. Costs relating to commercial activities are not included in the above table.

Included in support costs for 2023 are governance costs of £198,000 (2022: £116,000). Governance costs include staff costs, trustee travel to board meetings and audit fees.

Staff costs include amounts paid to consulting fellows and other consulting associates not on the payroll, so will be higher than salaries and wages costs included in Note 5.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2023

4 ii) Net Income/ Expenditure

	2023 £'000	2022 £'000
Net income/ expenditure is stated after charging:		
Depreciation	729	685
Amortisation	241	136
Auditors' remuneration		
- Audit fees	35	30
- Tax advisory and other services	2	3
Operating leases		
- Land and buildings	1,383	1,290
Trustees' professional indemnity insurance	30	26

5 Staff costs

	2023 £'000	2022 £'000
Wages and salaries	10,519	10,064
Social security costs	1,103	1,023
Employers' contribution to defined contribution pension schemes	458	457
Operating costs of defined benefit pension schemes (excluding finance costs)	26	35
Other forms of employee benefits	821	616
	12,927	12,195

Costs of Consulting Fellows and other sub-contractors totalling £1,036,000 (2022: £898,000) are not included in the figures above.

Wages and salaries include £4,732,000 (2022: £4,833,000) in respect of restricted grant funded staff salaries.

Remuneration of key management personnel totalled £2,832,000 during the year (2022: £2,505,000).

No Redundancy payments were paid during the year (2022: £57,000).

The average number of employees (headcount) during the year

	No.	No.
Dialogues and conferences	14	14
Research programmes	50	53
Publications	37	32
Commercial Activities	2	2
Membership	6	4
Support	54	53
	163	158

Number of employees whose emoluments were over £60,000

	No.	No.
£690,001 to £700,000	1	-
£220,001 to £230,000	-	2
£210,001 to £220,000	2	-
£200,001 to £210,000	1	2
£190,001 to £200,000	1	1
£160,001 to £170,000	-	1
£140,001 to £150,000	4	1
£130,001 to £140,000	2	3
£120,001 to £130,000	5	2
£110,001 to £120,000	2	5
£100,001 to £110,000	3	3
£90,001 to £100,000	8	7
£80,001 to £90,000	7	7
£70,001 to £80,000	4	5
£60,001 to £70,000	10	11
	51	51

None of the above employees (2022: none) are accruing retirement benefits under the defined benefit scheme.

41 of the above employees (2022:40) are accruing retirement benefits under money purchase schemes, and contributions on their behalf amounted to £336,000 (2022: £308,000).

For staff who are directly attributable to specific charitable activities (including both restricted and unrestricted funds), the pension costs are allocated on the same apportionment basis as their staff time/salaries. Support staff pension costs are apportioned on a headcount basis, outlined in note 4.i.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2023

6 Intangible fixed assets

Group	Software and Website costs £'000	Total £'000
Cost		
At 1 October 2022	2,632	2,632
Exchange differences on consolidation	0	0
Disposals	(773)	(773)
Additions	356	356
At 30 September 2023	2,215	2,215
Amortisation		
At 1 October 2022	2,170	2,170
Exchange differences on consolidation	(6)	(6)
Eliminated on disposals	(773)	(773)
Charge for the year	241	241
At 30 September 2023	1,632	1,632
Net book value		
At 30 September 2023	583	583
At 30 September 2022	462	462

Projects under development total £17,000 (2022 £255,000) in relation to migration of Windows devices costs. These are treated as Assets under construction and are not amortised until they are in use. We expect these assets to come into use by January 2024.

Charity	Software and Website costs £'000	Total £'000
Cost		
At 1 October 2022	2,633	2,633
Exchange differences on consolidation	(21)	(21)
Disposals	(773)	(773)
Additions	356	356
At 30 September 2023	2,195	2,195
Amortisation		
At 1 October 2022	2,170	2,170
Exchange differences on consolidation	(4)	(4)
Eliminated on disposals	(773)	(773)
Charge for the year	217	217
At 30 September 2023	1,610	1,610
Net book value		
At 30 September 2023	584	584
At 30 September 2022	463	463

Projects under development total £17,000 (2022 £255,000) in relation to migration of Windows devices costs. These are treated as Assets under construction and are not amortised until they are in use. We expect these assets to come into use by January 2024.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2023

7 Tangible fixed assets

Group	Freehold land £'000	Freehold buildings £'000	Furniture, fittings, plant & machinery, equipment, building improvements & motor vehicles £'000	Total £'000
Cost				
At 1 October 2022	3,000	11,456	9,031	23,487
Exchange differences on consolidation	-	-	(332)	(332)
Disposals	-	-	(890)	(890)
Additions	-	-	235	235
At 30 September 2023	3,000	11,456	8,044	22,500
Depreciation				
At 1 October 2022	-	2,753	7,077	9,830
Exchange differences on consolidation	-	-	(301)	(301)
Eliminated on disposals	-	-	(890)	(890)
Charge for the year	-	115	614	729
At 30 September 2023	-	2,868	6,500	9,368
Net book value				
At 30 September 2023	3,000	8,588	1,544	13,132
At 30 September 2022	3,000	8,703	1,954	13,657

Furniture, fittings, plant & machinery, equipment, building improvements and motor vehicles contain assets in the course of construction nil (2022: £60,000).

Charity	Freehold land £'000	Freehold buildings £'000	Furniture, fittings, plant & machinery, equipment, building improvements & motor vehicles £'000	Total £'000
Cost				
At 1 October 2022	3,000	11,456	7,595	22,051
Exchange differences on consolidation	-	-	(299)	(299)
Disposals	-	-	(890)	(890)
Additions	-	-	221	221
At 30 September 2023	3,000	11,456	6,627	21,083
Depreciation				
At 1 October 2022	-	2,753	6,071	8,824
Exchange differences on consolidation	-	-	(266)	(266)
Eliminated on disposals	-	-	(890)	(890)
Charge for the year	-	115	416	531
At 30 September 2023	-	2,868	5,331	8,199
Net book value				
At 30 September 2023	3,000	8,588	1,296	12,884
At 30 September 2022	3,000	8,703	1,524	13,227

Furniture, fittings, plant & machinery, equipment, building improvements and motor vehicles contain assets in the course of construction nil (2022: £60,000).

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2023

8 Fixed asset investments

Group and charity

	2023 £'000	2022 £'000
Quoted		
Hedge Funds	3,450	411
Property Fund	730	606
Portfolio Funds	5,067	5,683
UK Fixed Interest Funds	854	530
International Fixed Interest Funds	0	0
UK Equity Funds	0	628
International Equity Funds	0	2,558
Total Quoted investments	10,101	10,416
Portfolio cash	127	108
Total market value at 30 September	10,228	10,524
Total historical cost at 30 September	9,457	9,579
Reconciliation of opening and closing market values		
Opening market value at 1 October	10,416	11,399
Additions at cost	1,330	1,179
Disposals at opening market value	(1,591)	(1,360)
Net loss on revaluation	(54)	(802)
Closing market value at 30 September	10,101	10,416
Portfolio cash at 30 September	127	108
Total market value at 30 September	10,228	10,524

9 Debtors

Group

	2023 £'000	2022 £'000
Trade debtors	2,220	833
Other debtors	548	715
Prepayments and accrued income	2,255	2,193
	5,023	3,741

Charity

	2023 £'000	2022 £'000
Trade debtors	1,090	586
Other debtors	328	463
Amounts owed by group and associated undertakings	565	672
Prepayments and accrued income	1,938	2,046
	3,921	3,767

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2023

10 Creditors: amounts falling due within one year

Group

	2023 £'000	2022 £'000
Trade creditors	1,112	644
Other creditors	197	203
Taxation and social security	235	228
Accruals	694	860
Deferred income (note 11)	6,791	5,978
	<u>9,029</u>	<u>7,913</u>

Charity

	2023 £'000	2022 £'000
Trade creditors	1,112	615
Other creditors	137	88
Taxation and social security	220	212
Accruals	562	776
Deferred income (note 11)	3,815	3,805
	<u>5,846</u>	<u>5,496</u>

11 Deferred income

Group

	2023 £'000	2022 £'000
Brought forward at 1 October 2022	5,976	6,441
Received in the year	17,699	14,796
Expended in the year	<u>(16,884)</u>	<u>(15,261)</u>
Carried forward at 30 September 2023	<u>6,791</u>	<u>5,976</u>

Charity

	2023 £'000	2022 £'000
Brought forward at 1 October 2022	3,805	4,011
Received in the year	7,118	6,679
Expended in the year	<u>(7,108)</u>	<u>(6,885)</u>
Carried forward at 30 September 2023	<u>3,815</u>	<u>3,805</u>

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12 Movement in funds

Group	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	5,458	(327)	-	-	(164)	4,967
Restricted						
Gerald Segal Memorial Fund	22	-	-	-	-	22
Research Grants	118	7,150	(7,119)	-	-	149
	202	7,150	(7,119)	-	-	171
Unrestricted						
General fund	21,174	18,207	(18,120)	(70)	(57)	21,134
Pensions reserve	-	-	-	70	(70)	-
	21,174	18,207	(18,120)	-	(127)	21,134
Total funds	26,062	25,030	(25,239)	-	(291)	26,272
Charity						
	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	5,458	(327)	-	-	(164)	4,967
Restricted						
Gerald Segal Memorial Fund	22	-	-	-	-	22
Research Grants	54	4,385	(4,333)	-	-	106
	76	4,385	(4,333)	-	-	128
Unrestricted						
General fund	20,684	11,101	(12,390)	(70)	(26)	19,299
Pensions reserve	-	-	-	70	(70)	-
	20,684	11,101	(12,390)	-	(96)	19,299
Total funds	26,218	15,159	(16,723)	-	(260)	24,394

Expendable endowment - restricted to fund a Chair in Japanese Security Studies at the IISS

Gerald Segal Memorial Fund - to fund study on Asian issues.

Restricted Grants - for research projects and specific non-research projects in strategic studies.

Pensions reserve - represents the FRS102 pension liability.

13 Analysis of net assets by fund

Group	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,132	13,132
Intangible assets	-	-	583	583
Investments	6,134	-	4,094	10,228
Net current assets/ (liabilities)	-	171	2,158	2,329
Pension liability	-	-	-	-
	6,134	171	19,967	26,272
Charity				
	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	12,884	12,884
Intangible assets	-	-	584	584
Investments	6,134	-	4,094	10,228
Net current assets/ (liabilities)	-	128	570	698
Pension liability	-	-	-	-
	6,134	128	18,132	24,394

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14 Pension schemes

The disclosures set out below relate to pension schemes to which contributions are made by the charity – a defined benefit scheme, individual personal pension schemes and a defined contribution scheme.

a Defined benefit scheme

The Institute sponsors the International Institute for Strategic Studies Staff Superannuation Scheme which is a defined benefit arrangement. The last completed full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 March 2018. The scheme is closed to new entrants and no contributions were made during the year.

During the year, the Institute has made payments of £60,000 to reduce the overall scheme deficit as identified in the triennial actuarial valuation of the scheme as at 1 March 2018.

i) The amounts recognised in the balance sheet are as follows:

	2023 £'000	2022 £'000
Present value of funded obligations	(2,136)	(2,184)
Fair value of plan assets	2,279	2,345
Asset/(deficit)	143	161
Effect of asset ceiling	(143)	(161)
Net defined benefit asset/(liability)	-	-
Amounts in the balance sheet:		
Liabilities	-	-
Assets	-	-
Net liability	-	-

ii) Changes in the present value of the defined benefit obligation are as follows:

	2023 £'000	2022 £'000
Defined benefit obligation at start of year	2,184	3,363
Interest expense	114	66
Actuarial losses / (gains)	(120)	(1,177)
Benefits paid and expenses	(42)	(68)
Defined benefit obligation at end of year	2,136	2,184

iii) Changes in the fair value of the scheme assets are as follows:

	2023 £'000	2022 £'000
Opening fair value of scheme assets	2,345	2,807
Interest Income	124	56
Actuarial gains / (losses)	(208)	(502)
Contributions by the company	60	52
Benefits paid and expenses	(42)	(68)
Fair value of scheme assets at the year end	2,279	2,345

	2023 £'000	2022 £'000
The actual return on the plan assets in the year	(84)	(446)

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14 Pension scheme (continued)

iv) The defined benefit costs recognised within the Statement of Financial Activities are as follows:

	2023 £'000	2022 £'000
Net interest cost	(10)	10
Total amount charged to the Statement of Financial Activities	(10)	10

The International Institute for Strategic Studies expects to contribute £60,000 to its defined benefit pension scheme in the year ending 30 September 2024.

v) Defined benefit costs included in other recognised gains and losses

	2023 £'000	2022 £'000
Return on plan assets (excluding amounts included in net interest cost) - gain / (loss)	(208)	(502)
Experience gains / (losses) arising on the plan liabilities	(73)	(194)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - gain / (loss)	193	1,371
Changes in asset ceiling	(143)	(161)
Total losses included in other recognised gains and losses	(231)	149

vi) The major categories of scheme assets are as follows:

	2023 £'000	2022 £'000
Equities	479	907
Fixed Interest	1,163	680
Diversified Growth	449	484
Property	141	204
Cash and other	47	70
Total Assets	2,279	2,345

vii) Principal assumptions at the balance sheet date (expressed as weighted averages)

	2023	2022
Discount rate at 30 September	5.65%	5.26%
Inflation (RPI)	3.53%	3.90%
Inflation (CPI)	2.58%	2.95%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.58%	2.95%
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.24%	3.60%
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	2.10%	2.20%
Allowance for commutation of pension for cash at retirement	50% of Post A Day	50% of Post A Day

viii) The mortality assumptions adopted at 30 September 2023 imply the following life expectancies at age 65:

	Years
Male retiring in 2022	21.50
Female retiring in 2022	23.40
Male retiring in 2042	22.80
Female retiring in 2042	24.90

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14 Pension scheme (continued)

b Personal pension plans

The Institute also contributes to the personal pension schemes of some employees. The contributions are charged to the Statement of Financial Activities when due and the cost for the financial year ended 30 September 2022 was £63,000 (2022: £64,000).

c Defined contribution scheme

The Institute has a defined contribution pension scheme which is open to all employees. The contributions made in the year ended 30 September 2023 were £392,000 (2022: £387,000). Contributions outstanding at the year end amounted to £87,000 (2022: £76,000).

d IISS-US pension scheme

The Institute contributes to a United States 401(k) defined contribution pension scheme which is open to employees at the IISS-US office. The contributions paid in the year ended 30 September 2023 were £22,000 (2022: £29,000). Contributions accrued at the year end amounted to £4,000 (2022: £5,200).

15 Leasing commitments

The future total minimum payments to which the Group is committed as at 30 September 2023 under operating lease agreements are as follows:

	2023 £'000	2022 £'000
Office premises		
Net present value of total lease commitments due:		
Within one year	1,197	1,277
Between one and two years	757	1,133
Between two and five years	954	1,390
Over five years	1,290	1,497

16 Capital commitments

As at 30 September 2023, there were capital commitments contracted but not provided for of £17,000; for website development (2022: £371,000).

17 Reconciliation of net incoming resources to net cash inflow from operating activities

	2023 £'000	2022 £'000
Net income for the reporting period (as per the statement of financial activities)	(319)	(147)
Adjustments for:		
Dividends and interest from investments	(343)	(315)
Depreciation charges	729	685
Amortisation charges	241	136
Pension reserve deficit funding	(70)	(42)
Losses/ (Gains) on investments	110	729
Exchange losses/ (gains) on fixed assets	24	(95)
Change in cash and cash equivalents due to exchange rate movements	(111)	343
(Gain)/Loss on disposal of fixed assets	-	(29)
(Increase)/ Decrease in debtors	(1,340)	(579)
Increase in creditors	1,118	(145)
Net cash provided by (used in) operating activities	39	541

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18 Analysis of cash and cash equivalents

	2023 £'000	2022 £'000
Cash at bank and in hand	6,335	6,301
Portfolio cash	<u>127</u>	<u>108</u>
	<u>6,462</u>	<u>6,409</u>

19 Related Parties

a Trustees or connected persons

The Trustees did not receive any remuneration during the current or previous year.

No transactions, contracts or other arrangements (including grants) with any Trustees were entered into by the Institute during the year ended 30 September 2023 (2022: Nil).

Travel expenses for both governance and attending Institute dialogues and other activities were paid or reimbursed in respect of 6 trustee (2022: 7) and the total amount was £12,000 (2022: £14,000).

b Other related parties

The ultimate parent undertaking (Parent Charity) includes IISS-UK, and its two branches, IISS-US and IISS-Middle East.

I Arundel House Enterprises Ltd

Related party transactions of the ultimate parent undertaking with Arundel House Enterprises Ltd were as follows:

	2023 £'000	2022 £'000
Balance at beginning of year	13	(20)
Expenses paid on behalf of Parent	(140)	(773)
Expenses paid on behalf of related party	391	991
Amounts paid in during the year	(520)	(280)
Foreign currency movement	<u>49</u>	<u>(150)</u>
Balance at end of year	<u>(207)</u>	<u>(232)</u>

II International Institute for Strategic Studies (Asia) Ltd

Related party transactions of the ultimate parent undertaking with IISS-Asia Ltd were as follows:

	2023 £'000	2022 £'000
Balance at beginning of year	-	-
Expenses paid on behalf of Parent	(524)	(14)
Expenses paid on behalf of related party	2,761	2,337
Amounts paid out during the year		
Amounts paid in during the year	(2,044)	(4,472)
Foreign currency movement	(13)	(266)
Balance forgiven on behalf of Parent	<u>(180)</u>	<u>2,415</u>
Balance at end of year	<u>-</u>	<u>-</u>

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III Strategic Studies Fund

There were no related party transactions of the ultimate parent undertaking with the Strategic Studies Fund during 2022 (2021: Nil).

Related party transactions of IISS-Asia with the Strategic Studies Fund were as follows:

	2023 £'000	2022 £'000
Balance at beginning of year	(246)	(421)
Expenses paid on behalf of Parent (IISS-Asia)	-	-
Expenses paid on behalf of related party	74	220
Amounts paid in during the year	-	14
Foreign currency movement	8	(59)
Balance at end of year	<u>(164)</u>	<u>(246)</u>

IV IISS India Organisation

Related party transactions of the ultimate parent undertaking with IISS India Organisation were as follows:

	2023 £'000	2022 £'000
Balance at beginning of year	79	72
Expenses paid on behalf of Parent		
Expenses paid on behalf of related party		
Foreign currency movement	<u>(8)</u>	<u>7</u>
Balance at end of year	<u>71</u>	<u>79</u>

V IISS Europe gemeinnützige GmbH

Related party transactions of the ultimate parent undertaking with IISS Europe gemeinnützige GmbH were as follows:

	2023 £'000	2022 £'000
Balance at beginning of year	573	555
Expenses paid on behalf of Parent	(274)	-
Expenses paid on behalf of related party	493	243
Amounts paid out during the year	(246)	(230)
Foreign currency movement	<u>(4)</u>	<u>5</u>
Balance at end of year	<u>542</u>	<u>573</u>

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20 Subsidiary undertakings

I Arundel House Enterprises Ltd

Registered office : Arundel House, 6 Temple Place, London, WC2R 2PG
Registered number : 3720258

- a The charity beneficially owns the entire share capital of Arundel House Enterprises Limited, a company incorporated in England and Wales under registration number 3720258, which manages the conference facilities of Arundel House and Bloomsbury House. The results for Arundel House Enterprises Limited have been consolidated into the group financial statements.

b Summary of profit and loss account for Arundel House Enterprises Ltd

	2023 £'000	2022 £'000
Turnover	549	440
Cost of sales	(33)	(42)
Gross profit	516	398
Other expenses	(361)	(199)
Net profit before taxation	155	199
Gift Aid to IISS	(155)	(199)
Loss after taxation	-	-

c Summary of balance sheet for Arundel House Enterprises Ltd

	2023 £'000	2022 £'000
Tangible fixed assets	-	-
Debtors	148	145
Cash at bank and in hand	34	18
Current assets	182	163
Creditors	(172)	(153)
Net assets	10	10
Aggregate capital and reserves	10	10

II International Institute for Strategic Studies (Asia) Ltd

Registered office : 9 Raffles Place, #51-01 Republic Plaza, Singapore 048619
Registration number : 200106226Z

- a The charity holds a majority of the voting rights of The International Institute for Strategic Studies (Asia) Limited, a company limited by guarantee and incorporated in Singapore under company number 200106226Z. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b Summary of income statement for International Institute for Strategic Studies (Asia) Ltd

	2023 £'000	2022 £'000
Dialogue and Lecture Series	5,707	4,055
Research programmes	2,213	2,279
Other	41	14
Total income	7,961	6,348
Dialogue and Lecture Series	(3,766)	(3,445)
Research programmes	(2,537)	(4,858)
Total expenses	(6,303)	(8,303)
Surplus for the year	1,658	(1,955)

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c Summary of balance sheet for International Institute for Strategic Studies (Asia) Ltd

	2023 £'000	2022 £'000
Tangible fixed assets	158	292
Debtors	1,177	50
Cash at bank and in hand	3,511	1,990
Current assets	4,688	2,040
Creditors	(2,395)	(1,500)
Net assets	2,451	832
Aggregate capital and reserves	2,451	832

III Strategic Studies Fund

Registered office : 9 Raffles Place, #51-01 Republic Plaza, Singapore 048619
IPC Registration number : 1798

- a The charity is a trustee of the Strategic Studies Fund (SSF), a trust established in Singapore under Charity number 1798, and has ultimate discretion over the disbursement of SSF funds. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b Summary of income statement for Strategic Studies Fund

	2023 £'000	2022 £'000
Lectures Series	12	89
Research	52	100
Total income	64	189
Lectures Series	(14)	(91)
Research	(65)	(123)
Other expenses	-	-
Total expenses	(79)	(214)
Surplus for the year	(15)	(25)

c Summary of balance sheet for Strategic Studies Fund

	2023 £'000	2022 £'000
Debtors	162	247
Creditors	(142)	(211)
Net assets	20	36
Reserves	20	36

IV IISS India Organisation

Registered office: E-301, East of Kailash, New Delhi-110065, India
Incorporated in India with limited liability under number U80903DL2014NPL270367

- a The charity holds a majority share-holding (99.9%) in IISS India Organisation, a limited not for profit company incorporated in India. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

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b Summary of income statement for IISS India Organisation

	2023 £'000	2022 £'000
Other Income	-	-
Total income	-	-
Other expenses	-	17
Total expenses	-	17
Deficit for the year	-	(17)

c Summary of balance sheet for IISS India Organisation

	2023 £'000	2022 £'000
Debtors	5	8
Cash at bank and in hand	-	1
Current assets	5	9
Creditors	(72)	(83)
Net assets	(67)	(74)
Aggregate capital and reserves	(67)	(74)

V IISS Europe gemeinnützige GmbH

Registered office: Palais am Pariser Platz, Pariser Platz 6A, 10117 Berlin, Germany

- a The charity holds a 100% share in IISS Europe gemeinnützige GmbH, a not for profit company incorporated in Germany on 28 May 2019. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b Summary of income statement for IISS-Europe

	2023 £'000	2022 £'000
Research	1,486	1,310
Other Income	-	-
Total income	1,486	1,310
Research	(1,776)	(1,577)
Total expenses	(1,776)	(1,577)
Surplus/(Deficit) for the year	(290)	(267)

c Summary of balance sheet for IISS-Europe

	2023 £'000	2022 £'000
Tangible fixed assets	89	136
Debtors	304	201
Cash at bank and in hand	167	559
Current assets	471	760
Creditors	(1,096)	(1,146)
Net assets	(536)	(250)
Aggregate capital and reserves	(536)	(250)

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21 Comparative Information

i) Consolidated Statement of Financial Activities (incorporating an income and expenditure account)

Year ended 30th September 2022

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2022 £'000	Total Funds 2021 £'000
Income from:						
<i>Donations</i>	2	2,951	-	-	2,951	2,812
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	3	9,690	-	-	9,690	7,362
Research programmes	3	1,997	6,475	-	8,472	4,865
Publications		1,297	-	-	1,297	1,319
Membership		1,442	-	-	1,442	1,450
Other trading activities		346	-	-	346	268
<i>Investments</i>		80	235	-	315	295
<i>Capital applied to income</i>			292	(292)	-	-
<i>Other income</i>		26	-	-	26	25
Total		17,829	7,002	(292)	24,539	18,396
Expenditure on:						
<i>Raising funds</i>		114	-	-	114	153
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	4	7,999	-	-	7,999	6,034
Research programmes	4	4,282	7,064	-	11,346	7,733
Publications	4	3,924	-	-	3,924	2,994
Membership	4	426	-	-	426	471
<i>Other trading activities</i>		148	-	-	148	198
Total		16,893	7,064	-	23,957	17,583
Net gains on investments	17	(335)	-	(394)	(729)	1,196
Net income/ (expenditure)		601	(62)	(686)	(147)	2,009
Transfers between funds	12	-	-	-	-	-
Other recognised gains/(losses):						
Foreign exchange gains		343	-	-	343	(70)
Actuarial losses on defined benefit pension schemes	14	514	-	-	514	149
Net movement in funds		1,458	(62)	(686)	710	2,088
Funds brought forward at 1 October 2021	12	19,716	202	6,144	26,062	23,974
Funds carried forward at 30 September 2022	12,13	21,174	140	5,458	26,772	26,062

All amounts relate to continuing operations and, as all gains and losses are included, a separate statement of total recognised gains and losses has not been presented.

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ii) Comparative movement in funds

For the year ended 30 September 2022

Group	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	6,144	(292)	-	-	(394)	5,458
Restricted						
Gerald Segal Memorial Fund	22	-	-	-	-	22
Research Grants	180	7,002	(7,064)	-	-	118
	202	7,002	(7,064)	-	-	140
Unrestricted						
General fund	20,272	17,829	(16,893)	(42)	8	21,174
Pensions reserve	(556)	-	-	42	514	-
	19,716	17,829	(16,893)	-	522	21,174
Total funds	26,062	24,539	(23,957)	-	128	26,772
Charity						
	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	6,144	(292)	-	-	(394)	5,458
Restricted						
Gerald Segal Memorial Fund	22	-	-	-	-	22
Research Grants	62	4,217	(4,225)	-	-	54
	84	4,217	(4,225)	-	-	76
Unrestricted						
General fund	17,747	12,618	(9,471)	(42)	(168)	20,684
Pensions reserve	(556)	-	-	42	514	-
	17,191	12,618	(9,471)	-	346	20,684
Total funds	23,419	16,543	(13,696)	-	(48)	26,218

Expendable endowment - restricted to fund a Chair in Japanese Security Studies at the IISS

Gerald Segal Memorial Fund - to fund study on Asian issues.

Restricted Grants - for research projects and specific non-research projects in strategic studies.

Pensions reserve - represents the FRS102 pension liability.

iii) Comparative Analysis of net assets by fund

For the year ended 30 September 2022

Group	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,657	13,657
Intangible assets	-	-	462	462
Investments	6,134	-	4,390	10,524
Net current assets/ (liabilities)	-	140	1,989	2,129
Pension liability	-	-	-	-
	6,134	140	20,498	26,772
Charity				
	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,227	13,227
Intangible assets	-	-	463	463
Investments	6,134	-	4,390	10,524
Net current assets/ (liabilities)	-	76	1,928	2,004
Pension liability	-	-	-	-
	6,134	76	20,008	26,218

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FOR INFORMATION ONLY: CHARITY SOFA DOES NOT FORM PART OF AUDITED FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2023

	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2023 £'000	Total Funds 2022 £'000
Income from:					
<i>Donations</i>	3,208	-	-	3,208	3,150
<i>Charitable activities</i>					
Dialogues, conferences and lecture series	4,211	-	-	4,211	5,547
Research programmes	104	3,824	-	3,928	4,779
Publications	1,480	-	-	1,480	1,297
Membership	1,890	-	-	1,890	1,442
<i>Investments</i>	109	234	-	343	315
<i>Capital applied to income</i>	-	327	(327)	-	-
<i>Other incoming resources</i>	99	-	-	99	13
Total	11,101	4,385	(327)	15,159	16,543
Expenditure on:					
<i>Raising funds</i>	86	-	-	86	114
<i>Charitable activities</i>					
Dialogues, conferences and lecture series	3,586	-	-	3,586	4,446
Research programmes	3,511	4,333	-	7,844	4,798
Publications	4,652	-	-	4,652	3,911
Membership	554	-	-	554	427
Total	12,389	4,333	-	16,722	13,696
Net (losses)/ gains on investments	54		(164)	(110)	(729)
Net income/ (expenditure)	(1,234)	52	(491)	(1,673)	2,118
Transfers between funds	-	-	-	-	-
Other recognised gains/(losses):					
Foreign exchange (losses)/ gains	(80)			(80)	167
Actuarial gains/ (losses) on defined benefit pension schemes	(70)	-	-	(70)	514
Net movement in funds	(1,384)	52	(491)	(1,823)	2,799
Funds brought forward at 1 October 2022	20,684	111	5,423	26,218	23,419
Funds carried forward at 30 September 2023	19,300	163	4,932	24,395	26,218

Accounts

Company Number: 615259
Charity Number: 206504

**THE INTERNATIONAL INSTITUTE FOR
STRATEGIC STUDIES**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2022

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STRATEGIC REPORT AND THE REPORT OF THE TRUSTEES

The Trustees present their report for the year ended 30th September 2022. This incorporates the Directors' report, which has been prepared in accordance with the Companies Act 2006 and FRS102, and the Strategic Report. The accounts comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP).

The primary role of the International Institute for Strategic Studies (referred to as 'IISS' or 'the Institute') is to enhance public understanding of questions of international security, help to provide policy makers with facts and analysis to inform and advise their decision-making, and contribute to improved defence diplomacy and conflict resolution.

Strategy

The Institute's medium- to long-term strategy comprises four elements as follows:

1. to provide facts and analysis on the sources of conflict, however caused, which may provoke the use of organised military force, and to examine the changing nature and use of organised force in international affairs;
2. to provide facts and analysis on the nature of political, geopolitical and geo-economic risk and advise governments and the private sector on measures that can be taken to mitigate that risk;
3. to provide an independent platform for intergovernmental consultations on geopolitical and geo-economic issues in private and public settings, supported by the facts and analyses developed by the Institute; and
4. to sustain a network of experts in these matters on the permanent staff, on a part-time consulting basis and also generally among an engaged cohort of the individual membership.

The Institute measures the success of this strategy in the following ways:

- evidence of senior government leaders internationally seeking IISS independent analysis
- attendance at its dialogues and conferences by government officials, international business and media representatives from around the world
- evidence that the Institute has contributed to improved defence diplomacy and conflict resolution, as confirmed to IISS by government officials
- continued diversification of funding from governments, the private sector, charitable foundations and individuals to maintain a significant body of research across a broad range of thematic and regional programmes
- worldwide demand for its publications and databases.

During the first quarter of the financial year under review, Institute activities remained affected by the COVID-19 pandemic, with restrictions limiting in-person participant numbers. Where possible, and in close consultation with funders, conferences and workshops were converted into online webinars or hybrid events to ensure the Institute retained its convening power. With excellent virtual capabilities, the necessary equipment enabling staff to successfully deliver their roles from home, and COVID-19 safety measures in place across all offices, COVID-19 restrictions caused minimal disruption to IISS productivity and enabled the Institute to introduce a hybrid model of office and home-based working. The Trustees have expressed gratitude for the way in which IISS management reduced disruption to Institute activities, ensured staff safety and minimised any financial loss.

The Institute achieved the main objectives set by the Trustees for the year, which included the expansion of its research output, convening activity and dissemination of its publications, enhanced digital content, and widening the Institute's international network and global coverage. More details can be found in the *Achievements and Performance* section on pages 3 to 8.

Research, Dissemination and Digital Content

The IISS has continued to develop its digital channels this year. Central to this development is the website project, due to complete its first phase in February 2023, which aims to provide an enhanced user experience and make it easier for internal teams to manage and update content on the site. The enhanced website will showcase more prominently and improve accessibility to IISS content, convey a more dynamic image of the Institute, and make IISS research priorities clearer to external audiences. The website will be future-proofed to allow for greater digitalisation of IISS output as the Institute's digital strategy is developed.

The *Sounds Strategic* and the new *Japan Memo* podcasts were downloaded over 46,000 times during the past year by audiences across our top territories of US, UK, Australia, Germany and Japan, an increase of lifetime downloads (from the start of the series) of +38%. The Institute's website audience continues to grow, with over 1.6 million users and increasing engagement with webinars, blogs and research reports, as well as flagship publications and events.

Over the past year the Institute's social media following has grown substantially, including a 17% annual increase on Twitter and a 32% increase on LinkedIn. IISS digital content activities generated over 4 million pageviews (+7.5%) and audiences engaged notably with video content on both website and YouTube channels, resulting in over 588,000 views of event recordings and livestreams (+112%). This increase can be linked to interest in IISS commentary and insights relating to the war in Ukraine, as well as expertise in the Asia-Pacific region.

The IISS has also increased its media profile over the last 12 months. There has been a greater awareness of global security and defence issues from the media which has led to an increase in coverage, principally but not exclusively revolving around Russia's invasion of Ukraine. The initial demand for analysis and input from IISS experts in the early weeks of the invasion was particularly high and interest has largely crowded out other foreign policy issues in the media. Several Fellows have enjoyed a strong and regular media profile in Tier 1 outlets as well as further afield.

Other projects and products have achieved a wide popularity within the media. An example is China Connects where a number of briefings, including a roundtable to Tier 1 media, have established the project as a go-to source for China specialists and Far East correspondents more widely.

Convening power

The Institute continued to extend its platforms for intergovernmental consultation and dialogue, in both private and public settings, to improve defence diplomacy and conflict resolution. In all cases, the Institute was able to create informed debate, develop new networks of contacts and engage governments, the private sector, the international expert and opinion-forming community, and IISS members in both open debates and confidential discussions to improve mutual understanding of differing positions and promote new policy approaches. During the year, the Institute convened 143 events in 8 countries with 8,620 attendees from over 89 countries.

The Institute also continued to deploy its convening power and analytical excellence informally via meetings between senior research staff and leading government figures and policy makers from a range of countries. At these meetings the Institute leverages its global reach and data-based approach to analysis to provide information on strategically important policy decisions being made at the highest levels.

Global coverage and international strategic network

Investment in analytical expertise and in enhancing the role of its four international offices has been a core focus of the Institute in recent years in order to bring a powerful global perspective to all of its work, as well as engendering the widest possible engagement on issues of international security. Details about the activities of the international offices can be found on pages 14 to 15.

OBJECTIVES AND PRINCIPAL ACTIVITIES

The Institute's declared objects are '*to promote on a non-party basis the study and discussion of and the exchange of information upon any major international security issues including without limitation those of a political, strategic, economic, social or ecological nature, and to promote conflict resolution by facilitating discussion and dialogue and publishing analysis on major international security issues to assist and promote the resolution of conflicts between or within nations*'.

The Institute aims to achieve these objects by providing to IISS members, governments, international organisations and the wider public the best possible objective information on military and political developments relevant to the prospects, course and consequences of conflict having an important military dimension. In furtherance of its objectives, the Institute:

- delivers a comprehensive research programme committed to advancing wider understanding of constantly evolving global security issues;
- convenes government officials, independent analysts, business-people and journalists to advance understanding of political, military, economic, environmental and societal trends in the subjects addressed by the Institute's work;
- continues to enhance the online content offered through iiss.org to maximise global access to its research and analysis; and
- maintains an international network of influential and knowledgeable individuals, corporate entities, governments and others as an audience for its research and publications.

The Institute's achievements against its objectives are discussed under the heading '*Achievements and Performance*' below.

The Institute's 'statement of values' and 'policy on financial transparency confidentiality and effectiveness,' published on the IISS website, reaffirm the IISS's commitment to full independence and excellence in all activities, along with the Trustees' determination that fundraising is maintained with the twin aims of guaranteeing the Institute's independence of thought and analysis, as well as maintaining the Institute's effectiveness as a strategic actor in a complex international environment.

The charity had no fundraising activities requiring disclosure under provisions of section 13 of the Charities (Protection and Social Investment) Act 2016.

ACHIEVEMENTS AND PERFORMANCE

Research Programmes

As an independent, non-partisan and international policy institute, the IISS is committed to advancing wider understanding of the critical security issues of the 21st century and their potential trends or resolution. A comprehensive research programme, which was reviewed and revised in 2022, covers these challenges and responds to them both thematically and regionally. The 30-member IISS Advisory Council, composed of distinguished members from around the world, assists the Institute on the intellectual direction of its activities. The programme has been defined under the broad categories of War, Power and Rules covering five strategic themes and nine regional concentrations:

- | | |
|---|---|
| ▪ Defence and Military Analysis | ▪ Indo-Pacific Defence and Strategy |
| ▪ Geo-Economics and Strategy | ▪ Japan Chair |
| ▪ Strategy, Technology and Arms Control | ▪ Latin America |
| ▪ Cyber Power and Future Conflict | ▪ Middle East |
| ▪ Conflict, Security and Development | ▪ Russia and Eurasia |
| ▪ China | ▪ South and Central Asian Defence, Strategy and Diplomacy |
| ▪ European Security and Defence | ▪ Southeast Asian Politics and Foreign Policy |

IISS research programmes actively contribute to a range of government and corporate briefings, convening external and IISS member events, delivering podcasts, and producing research and analysis for the wide range of IISS publications. The Institute has paid increasing attention to facilitating dialogue and conflict-resolution. This is achieved by bringing together parties under dispute in 'track-two' meetings, to discuss differences and consider how common interests can be advanced.

In the period under review, IISS research and research-related activities achieved notable impact on a number of fronts. The following is a list of key examples.

- The Defence and Military Analysis Programme (DMAP) published reports on European Combat Air Power and Missile Identification and Assessment techniques in early 2022. This was followed by papers on the Greenland-Iceland-United Kingdom Gap, The Defence Policy and Economics of the Middle East and North Africa, and The UK Indo-Pacific Tilt: Defence and Military Implications. Throughout the year, DMAP implemented the Missile Dialogue Initiative project, convening a series of meetings and publishing several research papers in this framework while also working on an IISS Strategic Dossier on arms control and missile technology questions.
- The Strategy, Technology and Arms Control (STAC) programme had a productive year, with grant awards from US European Command, the Carnegie Corporation, the UK's FCDO, and the EU. The programme delivered three major reports: defining threats posed by non-nuclear strategic weapons, analysis on strengthening the Missile Technology Control Regime, and a study of Russia's non-strategic nuclear weapons capabilities, posture, and use scenarios. In-person workshops brought together experts and officials from the US, Europe, Asia-Pacific and Arab countries to explore questions such as the Gulf order post-JCPOA, how to reduce risks of outer space operations, the risks of nuclear escalation in Ukraine, and the role of non-nuclear strategic weapons in 21st Century warfare. Workshops were convened, and Survival articles published, on the changes to European security by the impending NATO membership of Sweden and Finland.
- The Russia and Eurasia Programme published a stream of analysis across IISS publications and in the media on the background to the Russia-Ukraine war (predicting its outbreak), and on subsequent political and diplomatic developments. The Programme has engaged extensively with UK and US governments on the war and delivered a series of workshops for the UK MoD on Russia's foreign and security policy. The Programme has also worked on a grant-funded study of Western economic statecraft and Russia, to be published in 2023.
- The Geo-economics and Strategy Programme launched a strategic dossier on China's Belt and Road Initiative (BRI) at the 2022 Manama Dialogue and, in December, published an *Adelphi* on China's global Digital Silk Road (DSR) activity. During the year, the team further developed the China Connects database of BRI, BRI-like and DSR projects globally. A programme on sanctions and standards was launched in 2022 with the appointment of a new Research Fellow whose immediate focus has been analysis of sanctions against Russia following its invasion of Ukraine.
- The Japan Chair Programme published an *Adelphi* on Japan's effectiveness as a geo-economic actor in early 2022 with a Japanese version due for publication in 2023. The Programme has also held workshops and webinars on economic security, including one webinar in Tokyo with Japan's economic security minister, Kobayashi Takayuki. The team has continued to build on the Japan Memo podcast series, expanding the Institute's reach with its key audiences.
- The Cyber Power and Future Conflict Programme continued to expand its influence and reach through two Cyber Power Workshops that included heads or deputy heads of cyber intelligence and military cyber agencies for the Five Eyes and like-minded countries. An inaugural Advanced Technology Workshop in Singapore was launched for defence organisations of 15 countries (at one-star level). Notable publications milestones included work on cyber aspects of the Ukraine war, space ambitions, and a lengthy assessment of offensive cyber operations by Russia, China and the US that attracted considerable attention since it was launched on the day of the Russian invasion of Ukraine.

- In 2022, the IISS established a new Indo-Pacific Defence and Strategy Research Programme, focussing on questions of inter-state competition, deterrence and conflict across the wider Indo-Pacific region. The programme will examine US–China competition, both in terms of China’s military modernisation but also how Australia, India, Japan, Taiwan, the United States and other Southeast Asian countries are responding to China’s challenge. It will also look specifically at the developing dynamics of long-range strike capabilities in the region.
- The Southeast Asian Politics and Foreign Policy Programme analyses the connections between the politics and international relations of the region, with a focus on the consequences for conflict and diplomacy. The programme’s activities, which have recently included a focus on the conflict in Myanmar, advance understanding on the major policy challenges facing Southeast Asian experts and officials and their counterparts in North America, Europe, and elsewhere in Asia.
- The Middle East research programme continued to provide policy-relevant insights on the geopolitics of the Middle East. It examined the drivers and prospects of the ongoing regional de-escalation, the repercussions of the Russian invasion of Ukraine on the region, and the geopolitical and geoeconomic statecraft of the Gulf states. A report on the future of alliances in the Middle East was also published as part of an Institute-wide study.
- Top Indian and Pakistani intelligence officials uniquely participated in the South Asia research programme’s regional conferences in Bahrain and Oman. A successful engagement with the new Taliban leadership in Afghanistan on counterterrorism took place through virtual meetings. A new ‘3+3’ India-Pakistan Crisis Management Dialogue’ and a new ‘Western Indo-Pacific Security’ workshop were held in London. Regular policy briefings to the FCDO led towards to the first ‘track 1.5’ dialogue on UK-India defence and security cooperation. A report on nuclear deterrence and stability in South Asia was launched in Islamabad with a launch scheduled in India.
- The Conflict, Security and Development Programme (CSDP) activities included the publication of the Armed Conflict Survey (ACS) 2022 (as referenced below) and of ‘The Latin America Instability Matrix: Mapping Risks in the Region’, a unique methodological framework to assess political, socioeconomic and security risks. Work around climate security, aftermath of war, and conflict monitoring continued, which included research articles and blogs and a programme of events.

Publications

A lifting of global lockdown restrictions meant events and book launches were able to take place in person again this year. The IISS saw a surge in demand for print and online publications, particularly content focusing on the Russia-Ukraine war, with a 12% increase in print sales led by *The Adelphi Series* and *The Military Balance*, and a healthy increase in online downloads driven by *Survival*.

Strategic Comments covered a range of international security and political-military topics in 2022. With both paid offerings through Taylor and Francis, and selected editions offered for free via the IISS website. Topics published included China’s orbital-weapon tests, France’s presidential election, the International Criminal Court’s investigation in Ukraine, Russia and sanctions evasion, economic trouble in five non-oil Arab countries, and China-Russia gas cooperation.

Strategic Survey 2022: The Annual Assessment of Geopolitics was published in early December, providing a comprehensive annual review of world affairs. Featuring 33 essays analysing geopolitical developments in every region as well as major cross-cutting strategic themes, topics included: the military and strategic lessons of the Russia–Ukraine war; the West’s withdrawal from Afghanistan; China’s military modernisation; Saudi Arabia’s and India’s foreign-policy choices; the origins and implications of AUKUS; the polarisation of American politics; the future of the Chinese Communist Party; and the spread of Islamic insurgency in sub-Saharan Africa.

The 63rd *The Military Balance* was launched in February, providing data and capability assessments for the armed forces of 171 countries. This edition included essays on Defence Intelligence: Maintaining relevance in the open-source environment; Simulation and defence: Training benefits and

trends; and on Military adaptation to climate change: Reducing emissions and maintaining military effectiveness. The wallchart provided an assessment of the security dynamics in the Arctic.

The *Military Balance Plus* database combines multiple years of data and qualitative assessments from *The Military Balance* with advanced search and graphical capability. During 2022, data holdings in the database expanded further in the procurement data module which also features new visualisation elements on international defence supply chain questions. Furthermore, the IISS developed a series of platform capability assessments, also integrated into the database, giving users a sense of the modernity of a country's inventory. The database represents a step change in defence analysis for the Institute and its core audiences in government, the military, and private sector.

The Institute's journal, *Survival: Global Politics and Strategy*, published six times per year, provides a platform for many of the leading thinkers in the field of international affairs to analyse and debate strategic questions. The June–July 2022 issue devoted considerable space to the Ukraine war and its ramifications, featuring related articles by Robert Dalsjö, Michael Jonsson and Johan Norberg on Russia's military capability which is already one of the most downloaded *Survival* articles. Also appearing were assessments of the cyber-war implications of the Russia-Ukraine war, Algeria's re-emergence, the geopolitics of greenflation and the American 'coup that wasn't' in 1979 Iran.

The annual *Armed Conflict Survey* launched at the 2022 Manama Dialogue, featured analysis of 33 active armed conflicts, including the humanitarian, social and economic impacts. This year included essays on trends of relevance for each region, ranging from de-escalation in the Middle East and geopolitical dimensions of conflicts in sub-Saharan Africa to the regional repercussions of the Russia–Ukraine war in Eurasia, the geopolitics of fentanyl in the Americas and China's intervention in Asia's conflicts. The Chart of Armed Conflict mapped violent events with the ACGRI's human-impact pillar and indicators of climate vulnerability and sustainability, food risk and food inflation.

The *Adelphi* series is the Institute's principal contribution to policy-relevant, original academic research. March saw the publication of *Japan's Effectiveness as a Geo-Economic Actor*, authored by Robert Ward and Yuka Koshino, selling 180 copies in its first two months. The second, *Overseas Bases and US Strategy*, by Jonathan Stevenson, examined US basing arrangements in the context of changing technologies and capabilities, the likely direction of US policy and the political and military priorities of host countries and key regional actors. The third title, *The Digital Silk Road: China's Technological Rise and the Geopolitics of Cyberspace* edited by Meia Nouwens and David Gordon, published in November illuminates the complex phenomenon that is China's Digital Silk Road.

In June, as part of the Shangri-La Dialogue re-launch a new-look *Asia-Pacific Regional Security Assessment* was published, covering topics from US military posture in Asia and China's regional policies to Taiwan's future status and the security risks of climate change. The 2022 publication included a new “digital first” web presence, making the dossier free to read for the first time and launching a simple and easy-to-navigate home page that allows users to read chapters online. Both online readership and social media commentary on the dossier increased as a result.

As well as the regular publications, the IISS continued to release publications in various formats that are disseminated to governments, businesses, think tanks and important thought leaders. In addition to the well-received report *The Defence Policy and Economics of the Middle East and North Africa*, written as part of the Riyadh Defense Forum, the IISS published reports on French defense exports to Europe, Gulf bailout diplomacy, Strategic settings for 6G, and the Indo-Pacific Tilt.

Dialogues, Lecture Series and Conferences

The Institute's international dialogues bring government officials together in a combination of formats, and to address subjects, that they might not be able to coordinate themselves. Under the international auspices of the Institute, it is often easier to arrange for discreet contacts to take place between government officials who wish to meet, but to do so unofficially and away from the public eye. In addition, the Institute organises lecture series and specialist conferences around the globe.

1. The Shangri-La Dialogue

Initiated in 2002, the Annual Asia Security Summit (IISS Shangri-La Dialogue) is the most important regular gathering of defence professionals in the region. Governments, the expert community and the media have increasingly viewed the substance and tone of exchanges at the Dialogue as important indicators of the state of the region's security. The Shangri-La Dialogue provides a platform for participant countries' defence ministers and other principals to elaborate and clarify their countries' positions on important regional security topics. The Dialogue also allows senior regional defence leaders to develop and enhance cooperation with one another, notably through the hundreds of meetings which occur on the Dialogue's sidelines, aiming to develop a sense of common community and focus in the hope this might facilitate a move towards solutions to the many regional challenges.

The IISS held its 19th annual Shangri-La Dialogue (SLD) in Singapore from 10 to 12 June 2022 after a two-year hiatus. The strategic dynamic in the Asia-Pacific region naturally shaped the agenda of this year's Dialogue, which opened with a keynote address by Japanese Prime Minister Kishida Fumio. This year's Dialogue reflected a range of regional and global security concerns and was set against the backdrop of Russia's invasion of Ukraine, a topic addressed most directly in a special address that Ukrainian President Volodymyr Zelenskyy gave virtually from Kyiv.

The 2022 Dialogue involved 553 delegates, around half of whom were from governments or armed forces. A total of 37 national delegations attended, with 32 defence ministers present. The IISS facilitated over 100 bilateral and other meetings among government delegates which included the first bilateral meeting between US Defense Secretary Lloyd Austin and Chinese Ministry of National Defence Minister Wei Fenghe. The Institute also organised the important SEAYLP which provided an opportunity for 41 young leaders from around the region to discuss pressing security questions in specially organised sessions, as well as playing a full part in the Dialogue's broader debates.

2. The Manama Dialogue

Since its inception in 2004, the IISS Manama Dialogue has become a central element in the Middle East's security architecture, where national leaders and ministers from the Middle East, North America, Europe, Asia and Africa make major policy statements. Moreover, supported by senior officials, they are offered a bespoke occasion to consult bilaterally and multilaterally on the most pressing security and foreign-policy challenges.

Owing to circumstances necessitated by COVID-19, the 17th IISS Manama Dialogue was conducted as a hybrid event in November 2021, with participants attending in person and online. Strict health and safety measures ensured a safe environment for those who attended proceedings in Manama. More than 300 delegates from 34 countries participated in person, including 30 government delegations, 16 ministers, three chiefs of defence, and 11 chiefs of intelligence. Despite travel limitations, a sizeable press corps attended, including 19 senior journalists representing major regional and global outlets. The Manama Dialogue Young Leaders' Programme was convened for the third time, with 16 young leaders from the region attending.

The 17th IISS Manama Dialogue provided an opportunity to reflect on changing security and geopolitical dynamics, including the onset of intervention fatigue, the evolution of multilateralism and the growth in minilateralism in the region, as well as the rising importance of the Indo-Pacific region to the Middle East. Indonesian Defense Minister Prabowo Subianto's opening speech highlighted how Indonesia's security is interconnected with stability in the Middle East. US Defense Secretary Lloyd Austin addressed the realignment of overseas deployments by US forces while emphasising the United States' continued commitment to the security of its partners in the Middle East.

3. Riyadh Defense Forum

On 5 March 2022, the Middle East Programme, in cooperation with the Defence and Military Analysis Programme, convened the first-ever Riyadh Defense Forum (RDF), a conference aimed at ministers of defence procurement, chiefs of defence, defence-procurement senior officers and officials, and global business leaders from over 20 countries. The conference featured high-level speakers from

Saudi Arabia, the US, South Korea and the UK, whilst offering many opportunities for bilateral and multilateral meetings, both public and private, on national defence policies, structures and capabilities. Held just before the World Defense Show, the conference allowed the IISS to present the results of rigorous research conducted by IISS analysts on regional defence decision making and economics.

4. Lecture Series

The IISS Fullerton Lecture Series brings major figures in Asia-Pacific and international affairs to speak in Singapore and concluded with two lectures in this financial year. On 9 November 2021, Singapore's Minister for Education, Chan Chun Sing, explored Singapore's perceptions of US–China rivalry and its implications. On 21 December 2021, Germany's Chief of Navy Vice Admiral Kay-Achim Schönbach outlined Germany's vision for the future of regional maritime security and discussed how both Germany and Europe would develop their own Indo-Pacific strategies in the future.

An IISS Special Lecture with Australia's Minister for Foreign Affairs, Senator Penny Wong took place on 6 July 2022. In her first major foreign-policy speech in Southeast Asia, Senator Wong explained Australia's approach to foreign policy and how the new government in Canberra plans to engage with ASEAN and Southeast Asia.

Membership

The IISS retains a strong global membership base which comprises a broad spectrum of leading analysts, academics and military and government officials, and international companies. Members are actively connected to international and strategic affairs through the Institute's research programmes and have access to its opinion-shaping analysis through publications, events, member briefings and international conferences. Individual members are part of a unique global network supporting the work of the IISS and extending the Institute's reach in the world of international affairs, whilst IISS Corporate Membership is designed to enable corporations and institutions to stay on top of world events by giving them a thorough understanding of international affairs, security issues and geopolitical and military conflicts, and to aid their strategic decision-making. The Institute invites its membership to participate in events held in its offices as well as annual international conferences.

The Institute holds many discussion meetings each year at its London headquarters and overseas offices in Washington DC, Manama, Singapore, and Berlin, featuring IISS and guest speakers. With COVID-19 restrictions being relaxed, the Institute delivered both in-person events and webinars. Events that attracted notable interest over the past year included:

- Hosted by IISS in association with the Naval Staff, the First Sea Lord's Sea Power Conference brings together leading UK and international decision-makers, academics, representatives from the private sector, and future maritime strategists. With a refocusing on great-power competition, and against the backdrop of major war in Europe, this year's conference held on 5 May at Arundel House placed these themes in a global context and examined the challenges of resetting naval and maritime capabilities to deal with complex operations. Another central theme was the implications of climate change in the maritime arena. James Heappey MP, Parliamentary Under Secretary of State (Minister for the Armed Forces) delivered the ministerial keynote address.
- In this webinar held on 12 May, the IISS Japan Chair hosted Japan's Minister of Economic Security His Excellency Kobayashi Takayuki to discuss where Japan's economic security strategy is headed and what it should be to navigate the era of strategic competition. Bill Emmott, Chairman of the IISS Trustees, was the discussant, and Robert Ward, Japan Chair of the IISS, was the moderator of this webinar. This webinar took place in both English and Japanese.
- On 30 November 2021 at Arundel House, Richard Moore, Chief of the UK Secret Intelligence Service (MI6), made his first public speech since taking up his role in October 2020. He talked about the seismic changes he sees in the world, specifically in the espionage environment. He discussed China, Russia and Iran, three of the 'Big Four' priorities for the intelligence world and explained what the UK is doing to address the fourth priority, international terrorism.

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

For the year ended 30th September 2022, total income was £24,539,000 (2021: £18,396,000). The primary reason for this variance was the addition of the Riyadh Defense Forum and associated research programme in 2022, along with a notable increase in research activities across most programmes.

Total expenditure for the year was £23,957,000, compared to £17,583,000 in 2021, which reflected the increased conference costs arising from the Riyadh Defense Forum and additional research activity, along with increased staff numbers.

After accounting for net losses on investment assets of £729,000 (2021: £1,196,000 gains); foreign exchange gains of £343,000 (2021: £70,000); and actuarial gains on the defined benefit pension scheme of £514,000 (2021: £149,000); the net movement in funds for the year was a surplus of £710,000 (2021: £2,088,000).

As at 30th September 2022, there was no liability on the defined benefit pension scheme (2021: £556,000 deficit). Under the recent actuarial valuation funding plan, the IISS had committed to reducing the pension liability through deficit funding payments of £60,000 per year.

Net cash inflow totalled £196,000 for the year (2021: £66,000), leaving total cash balances, including portfolio cash, of £6,409,000 at the year-end (2021: £6,213,000).

The group reported an improved net current asset position of £2,129,000 (2021: £1,130,000). Total net assets as at 30th September 2022 increased to £26,772,000 (2021: £26,062,000).

Reserves

'Free reserves' are defined as unrestricted funds excluding designated funds and funds represented by tangible fixed assets, other than those financed by external loans.

The Institute's reserves policy has been determined by the Trustees after considering current and projected income streams and the Institute's expenditure profile. To ensure that the Institute is able to successfully meet its objects, the Trustees aim to hold free reserves equivalent to between 3 and 6 months operating expenditure. This target level of reserves will mitigate the risk of income fluctuations causing delays or cancellations to any expenditure commitments and ensure that planned activities can be completed. Furthermore, in the event of a significant drop in income levels there will be sufficient reserves in place to implement any necessary organisational changes.

As at 30th September 2022, the Institute held free reserves of £7,090,000 (2021: £6,218,000) which equated to approximately 5 months (2021: 5.5 months) of operating expenditure associated with unrestricted funds. Free reserves comprise IISS unrestricted general funds of £21,174,000, less tangible and intangible fixed assets of £14,119,000. At 30th September 2022, IISS restricted funds totalled £140,000 (2021: £202,000) and endowment funds totalled £5,458,000 (2021: £6,144,000). The Trustees continue to review the reserves policy in line with the Institute's financial resources.

Investment Policy and Performance

Cazenove Capital Management Ltd. manages the Institute's two investment portfolios. As at 30th September 2022, the market value of the main portfolio was £5,031,000 (2021: £5,300,000) and the asset allocation was: UK equity funds, 12% (2021: 13%); UK fixed-interest funds, 11% (2021: 5%); International fixed-interest funds, 0% (2021: 6%); International equity funds, 51% (2021: 54%); Portfolio funds 8% (2021: 21%) and Cash 2% (2021: 1%). Investment income for the year to 30th September 2022 from this portfolio amounted to £80,000 (2021: £74,000).

The overall investment objective of the main portfolio is to maximise its total return by achieving several percentage points above inflation, in line with constraints over risk. Portfolio performance and

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asset allocation are closely monitored by the Investment Committee in conjunction with the portfolio managers. The Institute considers this portfolio to be a long-term investment fund and operational cash flow demands are met through operational surpluses. The Investment Committee has adopted a diversified asset allocation strategy in keeping with its appetite for moderate risk. At 30th September 2022, portfolio returns over the previous year, three years, and five years as compared to benchmark (set as 100% UK CPI +4%), and the FTSE All Share were as follows:

Total Returns	1 year %	3 years p.a. %	5 years p.a. %
Portfolio	-5.1	3.1	3.5
Benchmark	14.1	8.6	7.7
FTSE All Share	-4.0	0.8	2.1

The Institute's second portfolio is an expendable endowment fund, invested in a Charity Multi-Asset Fund (CMAF). The CMAF generates an annual pay-out of 4% and enables the Institute to drawdown the approved funds required to meet all costs associated with the Japan Chair research position. As at 30th September 2022, the market value of the Japan Endowment Fund was £5,497,000 (2021: £6,134,000) and the asset allocation was Charity Multi-Asset Fund (CMAF) 100% (2021: 100%), of which 70% was equities (2021: 71%).

The IISS and the Economic Climate

The Institute's Dialogue activities and publications are protected by multi-year agreements that provide guaranteed levels of income. As referenced above, the Institute has received expendable endowment funding in support of a Japan Chair providing guaranteed financial support for a senior research post.

The Institute's commercial trading subsidiary, Arundel House Enterprises Limited (AHEL), experienced difficult commercial trading conditions due to the slow return from COVID-19 restrictions but minimised any losses on its catering and event activities with a low fixed cost base.

With the continued financial and currency market instability arising from the COVID-19 pandemic and political events such as the Ukraine-Russia conflict, the IISS investment portfolio was impacted by poor equity market performance during 2022. The Investment Committee continues to monitor closely its diverse portfolio of investment funds that includes non-sterling denominated exposure in equities and bonds.

The Institute naturally hedges its foreign currency transactions, minimising conversion as far as possible to avoid exchange rate losses.

Financial health

As outlined in the Financial Review, the Trustees consider the Institute's financial health to be sound. As at 30th September 2022, the Institute held investment assets totalling £10.5 million and cash on the balance sheet of £6.3m with no loan liabilities, compared to investment assets of £4.7 million, £1.7m of cash and a building loan liability of £4.65 million in 2011, demonstrating a clear strengthening in the Institute's financial position over the past 10 years.

As a result of the income security provided by the diverse revenue sources and multi-year funding arrangements outlined above, and in considering budgets and forecasts covering the period to 30th September 2025, the Trustees are confident that the Institute can be considered a going concern for the foreseeable future. Accordingly, there are no material uncertainties surrounding the preparation of the financial statements on a going concern basis. The global nature of IISS operations and funding sources has also contributed towards further income diversity that has helped to mitigate risk during this time of continued economic uncertainty.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the Institute and are satisfied that systems are in place to manage exposure to the major risks. The Trustees remain satisfied that, as a result of the Institute's response to the pandemic, there has not been any material financial loss arising from COVID-19.

The most significant potential risks, as identified by the Institute's Risk Register, are actively managed in the following manner:

Damage to the Institute's reputation	As reiterated in the Institute's 'Statement of Values' and 'Policy on financial transparency confidentiality and effectiveness', the IISS firmly states and demonstrates its commitment to independence and excellence when conducting all activities, with staff training in place to ensure awareness and understanding of the Institute's policy. Trustees have oversight over potential donors and funding sources. IISS adapted well to COVID-19 restrictions, meeting contractual obligations and funder expectations by successfully converting activities into hybrid and virtual events or agreeing alternative deliverables.
A material weakening in the Institute's financial position and funding levels	Continued efforts to diversify revenue streams to ensure no over-reliance on one source of income. Multi-year agreements are in place for key funders. Liquidity and foreign exchange positions are monitored regularly through weekly cash flow forecasts and external currency specialists. A well-diversified investment portfolio mitigates risk in the event of poor performance of any one asset class. A three-year forecasting and response-planning model is updated regularly and monitored by the Trustees. As above, adaptation of activities to ensure contractual and funder obligations are met.
A major failure of the Institute's IT systems caused by internal or external factors	Principal systems, architecture, and software (including cloud servers, fail-over, disaster recovery, and protective programmes) have been designed drawing on external professional advice to provide best practice stability and security. In recognition of the increasing cyber threat, additional security measures have been introduced to detect and counter attacks.
Failure to maintain the existing high level of Institute staff expertise	Retention measures in place include competitive pay, benefits and working conditions. The competency framework ensures well-structured performance and development reviews. Consulting Fellows and membership base are drawn on when in-house expertise is not available. Adapted working practices have enabled hybrid home and office-based working for staff.

In addition to the review of the risk register by senior management, the Audit Committee and the Trustees, financial performance is evaluated at the Trustee meetings held four times each year. The Institute's investments and financial resources are monitored by the Investment Committee, which meets four times a year. Ongoing internal controls over these risks, as well as measures to mitigate exposures and financial loss, are exercised on a daily basis by the Institute's Directing staff.

FUTURE PLANS

Looking ahead, the IISS remains focused on its mission to shape and enable strategic discussion and inter-governmental dialogue, and to provide impartial analysis on major international security issues as a means of informing the public debate and assisting conflict resolution and prevention. The Institute will continue to fulfil this mission through its primary activities of research, dialogues, conferences, lectures, publications, online databases and outreach to governments, the private sector and the expert and opinion-forming communities. The main objectives for the forthcoming year ending 30th September 2023 are:

- **Research** – the Institute will continue to produce new research and analysis under the rubrics of War, Power and Rules. Following a review of its research programmes in 2022, the IISS has established new programme areas to focus on China; European Security and Defence; Indo-Pacific Defence and Strategy; Latin America; and Southeast Asian Politics and Foreign Policy. Some legacy research programmes were discontinued whereas others were refocused and renamed. Under War, the IISS will address the changing shape of conflict, cyber power, and the security-development nexus, as well as refining the state of the art of defence economics and examining aspects of software defined defence. The Power stream will include geo-economics and strategy, economic and financial sanctions in a multipolar system, and regional security dynamics in the Eastern Mediterranean. The Rules stream will address the changing nature of international law, the impact of legal diplomacy exercised by major powers, and the requirement to continue to modernise the rules-based order. It will also consider arms control in the fields of AI, robotics and unmanned vehicles, as well as how technical standards and commercial regulations are increasingly wielded as instruments of international statecraft.
- **Digital content** - In 2023 the IISS will aim to continue to grow its *Military Balance Plus* customers in government, the private sector, and the analytical community to generate a strong revenue stream to support IISS research and the Institute's overall mission. The Institute will continue to develop other forms of digital content, such as interactive maps, as alternative means to present the Institute's research and analysis and engage more widely with IISS stakeholders. This objective will be aided by the website development project, due to complete its first phase by March 2023, which aims to provide an enhanced user experience and make it easier for internal teams to manage and update content onto the site. The enhanced website will showcase more prominently and improve accessibility to IISS content, convey a more dynamic image of the Institute and make IISS research priorities clearer to external audiences.
- **Overseas offices** – Investment in its international offices and staff remains a priority to ensure that all research activity is infused with both local and regional expertise yet blended with an international perspective, while also reaching the widest possible audience and engaging a new generation of young analysts internationally. Next year, the priority will be to continue deepening IISS engagement with European powers, expanding the IISS analytical footprint in Berlin through the IISS Europe office, and diversifying the Institute's funding base across all regions. The IISS Asia office in Singapore will be adding staff in Cyber and Indo-Pacific Strategy and developing strategies to raise further funds in the Asia-Pacific region.
- **Fundraising** – During 2023, the Institute will continue in its efforts to identify opportunities for major annual gifts or for the establishment of expendable research endowments at the IISS to support pertinent research positions.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Institute is governed by Articles of Association lodged with the Registrar of Companies and the Charity Commission for England and Wales.

The Institute's Articles of Association reflect current best practices and the requirements of the Companies Act 2006 and recognise the fiduciary responsibilities carried by the Institute's Trustees. Revised Articles of Association were formally lodged with the Charity Commission on 2nd May 2019.

The Trustees constitute Directors for the purposes of the Companies Act, and act as Trustees for the purposes of the Charities Act. As required by the Articles of Association, all are Members of the Institute. They receive no remuneration for their services. Upon appointment new Trustees are provided with an induction pack, which includes copies of the Institute's governing documents as well as information about the Institute's activities and finances. Training is available for all Trustees at any time as required.

In accordance with the Articles of Association, a Trustee can be elected by ordinary resolution or by a decision of the Trustees. A new Trustee may be proposed and considered for election by the existing

Trustees. The Trustees delegate the exercise of certain powers in connection with the administration of the Institute as set out below.

The Trustees are aware of the Charity Governance Code published in 2020 which sets out the principles and recommended practice for good governance within the sector. The Institute has reviewed its current governance arrangements against the principles within the code and addressed any issues raised where required.

Audit Committee

The task of monitoring the Institute's financial control systems and the management of major risk is delegated to the IISS Audit Committee. The current membership of the Audit Committee is:

Chris Jones (Chair of Committee & Honorary Treasurer)

Jens Tholstrup

Matt Symonds

Matthew Symonds

Investment Committee

The IISS Investment Committee is empowered to receive advice from the Investment Managers and to vary the investment policy at any time. The current membership of the Investment Committee is:

Chris Jones (Chairman of Committee & Honorary Treasurer)

Grace Skaugen

Jens Tholstrup

Matt Symonds

Trustee Remuneration and Employment Committee

The IISS Remuneration Committee is responsible for the annual review of the Director-General and Chief Executive's remuneration package, with oversight of the Institute's overall human resources policies. The current membership of the Remuneration Committee is:

Bill Emmott (Chair of Committee and Chair of the IISS Trustees)

Chris Jones (Honorary Treasurer)

Caroline Atkinson

Neha Aviral

Nominations Committee

The IISS Nominations Committee is responsible for proposing new Trustees to the Board. The current membership of the Nominations Committee is:

Bill Emmott (Chair of Committee and Chair of the IISS Trustees)

Matthew Symonds

Director-General and Chief Executive

The Director-General and Chief Executive is responsible for the day-to-day management of the Institute's affairs and for implementing policies agreed by the Trustees. The Director-General and Chief Executive is assisted by senior management.

Working closely with the Director-General and Chief Executive (DG and CE), the Board of Trustees have developed a succession strategy. The Institute expects to appoint a successor as DG and CE to take office on 1 October 2023 the start of the next fiscal year and the 30th anniversary of the present DG and CE's tenure. The present DG and CE, Dr John Chipman, will move to a part time role as Executive Chairman, an appointment that has assured key funders and other stakeholders of continuity in our most important relationships.

Remuneration Policy

The IISS's remuneration policy and practices reflect the Institute's objectives of good governance combined with the need to attract and retain the best talent internationally. This policy aims to support the sustained growth and development of the Institute and its employees and to ensure that the Institute is able effectively to carry out its mission to provide objective information and analysis on geopolitical change as well as facilitate conflict resolution and the maintenance of international peace and security.

The Institute's Staff Remuneration Committee, which consists of the Director-General and Chief Executive; the Director of Finance; and the Director of Human Resources, carries out an annual salary review with increases awarded for individual performance linked to a 'competency framework'. This review incorporates IISS key management personnel, with the exception of the Director-General and Chief Executive. Salaries are positioned between the upper end of the charitable sector and middle of the corporate sector to ensure the Institute can compete globally in recruiting and retaining talent from the private sector, governments, and the international expert community. A review of market rates with reference to available salary surveys is undertaken regularly.

As referenced above, the IISS Trustee Remuneration and Employment Committee annually reviews the remuneration package of the Director-General and Chief Executive and the Institute's overall human resources policies, including salary rates and staff benefits. Remuneration packages may consist of fixed elements such as salary, pension, life assurance and private medical insurance; and a variable element of a discretionary performance-based bonus payment. Employee benefits are reviewed annually.

The Trustees are invited to approve annually the staffing and salary budget and forecast for the year. This includes senior management. No Trustees are remunerated but travel expenses are reimbursed.

Public Benefit

The Trustees have given due consideration to the Charity's Commission's published guidance on the Public Benefit Requirement under the Charities Act 2011.

The beneficiaries of the Institute include individuals and organisations within the political, diplomatic, defence and academic fields, the public in general, international agencies and governments worldwide. The interests and concerns of these groups are constantly evolving, and the charity's development is influenced by the need to continue to address their current interests and concerns. As clearly evidenced in this report, the Institute has successfully reached these audiences during the year under review.

In the UK, the Institute's staff have regularly provided facts and evidence-based analysis on geo-strategic and geo-economic trends to key members of the expert media, parliamentarians, civil servants and ministers. Internationally, the Institute has provided unique defence diplomatic platforms in the Middle East and Asia that have facilitated high level consultations on defence issues and conflict resolution that has also engaged Europeans and North Americans. It has published evidence-based research that numerous governments have found added value to their internal assessments. The Institute has also briefed various inter-governmental organisations, including NATO and the EU, on important issues of public policy. It continues to put into the public domain the best available information on a wide range of international issues to ensure a more informed public debate.

Group Structure

IISS Middle East

The IISS Middle East branch office in Manama, Bahrain was established as a base for the Institute's many research programmes and activities throughout the region and serves to connect IISS activities in Europe, North America and Asia with those in the Middle East. Since its foundation in May 2010,

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the office has built a strong cohort of experts and administrative staff who work closely with the entire IISS global network to provide not just first-class information and analysis on Middle East and broader international strategic issues, but also strengthen links between the strategic community in the Middle East and those in other parts of the world.

Since 2004 the IISS has held annually the IISS Regional Security Summit: The Manama Dialogue in Bahrain. Full details of the Dialogue can be found on page 7.

The International Institute for Strategic Studies – US (IISS-Americas)

IISS-Americas is a branch of the IISS located in Washington DC. During the year, IISS-Americas continued its efforts to engage and expand the IISS membership base in the region, promote IISS activities and research to a North American audience of government leaders and policy shapers, and cultivate relationships with US policy makers to ensure strong US representation at the dialogues. As pandemic restrictions eased, the office resumed live events and utilised its capacity to hold hybrid events to continue outreach to a global audience. This has served to reinforce the reputation of IISS-Americas as representing a vibrant, international, intellectual community.

Arundel House Enterprises Limited (AHEL)

AHEL is a wholly owned trading company with revenue arising from the letting of facilities and provision of event catering at Arundel House and the provision of Consultancy services. The company reported a profit for the year of £197,000 before gift aid (2021: £69,000).

The International Institute for Strategic Studies (Asia) Limited (IISS-Asia) and the Strategic Studies Fund (SSF)

IISS-Asia is a company limited by guarantee registered in Singapore. In January 2022, IISS-Asia again convened the IISS Fullerton Forum: Shangri-La Dialogue Sherpa Meeting, an important inter-sessional activity of the Shangri-La Dialogue process. As detailed on pages 7-8, the Shangri-La Dialogue was held from 10 to 12 June 2022 after a two-year hiatus and IISS-Asia was able to host a series of lectures with prominent speakers.

With the lifting of pandemic restrictions, IISS-Asia activities resumed as normal. Notably, IISS-Asia research staff edited the annual *Asia-Pacific Regional Security Assessment* and organised and participated in IISS webinars on Asia-Pacific security. IISS-Asia also took the lead in recruiting and servicing IISS corporate and individual members in Singapore and the wider Asia-Pacific region.

The SSF is a trust fund established in Singapore for the purpose of raising funds to be applied in Singapore towards activities relevant to the objectives of the Institute and of benefit to the Singapore community. The results for IISS-Asia and the SSF are consolidated on the basis that the Institute holds a majority of the voting rights in IISS-Asia and has ultimate discretion over the disbursement of SSF funds and over its activities.

IISS India Organisation – (IISS-India)

IISS-India is a non-profit subsidiary of IISS with its registered office in New Delhi. It was established in August 2014 to assist in the expansion of IISS activities and reach in India and the South Asia region.

IISS Europe gemeinnützige GmbH (IISS-Europe)

On 4th November 2019, IISS-Europe was incorporated as a non-profit subsidiary of IISS with its registered office in Berlin, established to deepen IISS engagement with European powers, expand its analytical footprint in Germany and play an active part in shaping the security and defence debate in Germany and the EU. The IISS-Europe office includes research and operational staff in support of a broad five-year research programme on 'Power shifts and the evolving international order: Strategic challenges for Germany and Europe'.

Statement of Trustees' Responsibilities

The Trustees (who are also directors of The International Institute for Strategic Studies for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and accounting standards (FRS102).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Trustees at the date of this report is aware, there is no relevant audit information of which the charity's auditor is unaware. Each Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

Corporate Governance

Processes are in place to ensure that performance is monitored and that appropriate management information is prepared and reviewed regularly by both the executive management and the Trustees.

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- an annual budget approved by the Trustees;
- regular consideration by the Trustees of both financial and non-financial results; and
- delegation of day-to-day management authority and segregation of duties.

Auditors

Crowe U.K. LLP has indicated its willingness to be reappointed as statutory auditor.

The Strategic Report and Report of the Trustees was approved by the Trustees in their capacity as Company Directors on 22 February 2023 and signed on their behalf by:



Bill Emmott
Chair of the Trustees

The International Institute for Strategic Studies

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REFERENCE AND ADMINISTRATIVE DETAILS

The International Institute for Strategic Studies, also known as the IISS, is a registered charity and a company limited by guarantee. The liability of each Board of Trustees member under the guarantee does not exceed the sum of £1.

Registered Office Arundel House
6 Temple Place
London
WC2R 2PG

Company Number 615259

Charity Number 206504

Trustees

Chair Bill Emmott

Vice-Chair Chung Min Lee

Hon Treasurer Chris Jones

Professor Dr Kurt Lauk
Jens Tholstrup
Catherine Roe (resigned 13 July 2022)
Matt Symonds
Matthew J Symonds
Caroline Atkinson
Dr Grace Skaugen
John Brennan (appointed 22 February 2022)
Neha Aviral (appointed 22 February 2022)

During the year under review, John Brennan and Neha Aviral were appointed to the Board on 22 February 2022, whilst Catherine Roe resigned on 13 July 2022.

For clarification purposes, there are two Trustees with the name Matthew (Matt) J Symonds.

The International Institute for Strategic Studies

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Executive Directing Staff

<i>Director-General and Chief Executive</i>	Dr John Chipman
<i>Director of Geo-Economics; Japan Chair</i>	Dr Robert Ward
<i>Director of Defence and Military Analysis</i>	Dr Bastian Giegerich
<i>Director of Finance</i>	Sally Taylor
<i>Director of Operations</i>	Dr John Hobart
<i>Director of HR</i>	Jane Graham
<i>Director of Editorial Services and Digital Strategy</i>	David Tomchak (appointed 9 January 2023)
<i>Executive Director, IISS-Asia</i>	James Crabtree
<i>Executive Director, IISS-Middle East</i>	Sir Thomas Beckett
<i>Executive Director, IISS-Europe</i>	Dr Ben Schreer
<i>Executive Director, IISS-Americas</i>	Ernest J Herold (resigned 31 December 2022)

Agents and Advisers

Legal Advisers

Stone King Sewell LLP,
13 Queen Square, Bath BA1 2HJ

Bankers

HSBC Bank plc, 60 Queen Victoria Street,
London EC4N 4TR

Investment Managers

Cazenove Capital Management (part of Schroder &
Co. Limited),
12 Moorgate, London EC2R 6DA

Pension Fund Managers

Mobius Life,
7th Floor, 20 Gresham Street, London EC2V 7JE

Pension Consultants

Mercer (formerly JLT Benefit Solutions),
The St Botolph Building, 138 Houndsditch, London
EC3A 7AW

Auditors

Crowe U.K. LLP, 2nd Floor,
55 Ludgate Hill, London EC4M 7JW

Independent Auditor's Report to the Members of The International Institute for Strategic Studies

Opinion

We have audited the financial statements of The International Institute for Strategic Studies ('the charitable company') and its subsidiary ('the group') for the year ended 30 September 2022 which comprise the Consolidated Statement of Financial Activities, Consolidated and Charity Balance Sheets, Consolidated Cash Flow Statement and notes to the financial statements, including 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 the charitable company's affairs as at 30 September 2021 and of the group's income and receipts of endowments and expenditure, 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 Companies Act 2006.

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 in accordance with the ethical requirements that are 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 relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the Trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) 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 charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of noncompliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities,

whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, taxation legislation, employment legislation and general data protection legislation, together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's and group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity and the group for fraud. The laws and regulations we considered in this context for the UK operations were taxation legislation, employment legislation and General Data Protection Regulation (GDPR). We also considered compliance with local legislation for the group's overseas operating segments.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing surrounding recognition income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Tim Redwood
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor

London

21 March 2023

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2022

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating an income and expenditure account)

Year ended 30th September 2022

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2022 £'000	Total Funds 2021 £'000
Income from:						
<i>Donations</i>	2	2,951	-	-	2,951	2,812
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	3	9,690	-	-	9,690	7,362
Research programmes	3	1,997	6,475	-	8,472	4,865
Publications		1,297	-	-	1,297	1,319
Membership		1,442	-	-	1,442	1,450
<i>Other trading activities</i>		346	-	-	346	268
<i>Investments</i>		80	235	-	315	295
<i>Capital applied to income</i>			292	(292)	-	-
<i>Other income</i>		26	-	-	26	25
Total		17,829	7,002	(292)	24,539	18,396
Expenditure on:						
<i>Raising funds</i>		114	-	-	114	153
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	4	7,999	-	-	7,999	6,034
Research programmes	4	4,282	7,064	-	11,346	7,733
Publications	4	3,924	-	-	3,924	2,994
Membership	4	426	-	-	426	471
<i>Other trading activities</i>		148	-	-	148	198
Total		16,893	7,064	-	23,957	17,583
Net (losses)/ gains on investments	17	(335)	-	(394)	(729)	1,196
Net (expenditure) /income		601	(62)	(686)	(147)	2,009
Transfers between funds	12	-	-	-	-	-
Other recognised gains/(losses):						
Foreign exchange gains/ (losses)		343	-	-	343	(70)
Actuarial gains on defined benefit pension schemes	14	514	-	-	514	149
Net movement in funds		1,458	(62)	(686)	710	2,088
Funds brought forward at 1 October 2021	12	19,716	202	6,144	26,062	23,974
Funds carried forward at 30 September 2022	12,13	21,174	140	5,458	26,772	26,062

All amounts relate to continuing operations and, as all gains and losses are included, a separate statement of total recognised gains and losses has not been presented.

The notes on pages 26 to 47 form part of these accounts

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2022

CONSOLIDATED BALANCE SHEET (Company Number 615259)

As at 30th September 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	6	462	230
Tangible assets	7	13,657	13,774
Investments	8	10,524	11,434
Total Fixed assets		24,643	25,438
Current assets:			
Debtors	9	3,741	3,060
Cash at bank and in hand		6,301	6,178
Total Current assets		10,042	9,238
Liabilities:			
Creditors: Amounts falling due within one year	10	(7,913)	(8,058)
Net current assets / (liabilities)		2,129	1,180
Total assets less current liabilities		26,772	26,618
Net assets excluding pension liability		26,772	26,618
Defined benefit pension liability	14	-	(556)
Total net assets	13	26,772	26,062
The Funds of the charity			
Expendable endowment funds	12	5,458	6,144
Restricted income funds	12	140	202
Unrestricted income funds	12	21,174	20,272
Pensions reserve	12	0	(556)
Total unrestricted funds	13	21,174	19,716
Total charity funds	13	26,772	26,062

The consolidated balance sheet includes the assets, liabilities and funds of The International Institute for Strategic Studies (Asia) Limited, Arundel House Enterprises Limited, IISS India Organisation, IISS Europe gemeinnützige GmbH, and the Strategic Studies Fund.

The accounts were approved and authorised for issue by the Trustees on 22 February 2023 and signed on their behalf by:



Bill Emmo
Chair of the Trustees

The notes on pages 26 to 47 form part of these accounts

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2022

CHARITY BALANCE SHEET (Company Number 615259)

As at 30th September 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	6	463	230
Tangible assets	7	13,227	13,284
Investments	8	10,524	11,434
Total Fixed assets		24,214	24,948
Current assets:			
Debtors	9	3,767	3,039
Cash at bank and in hand		3,733	1,424
Total Current assets:		7,500	4,463
Liabilities			
Creditors: amounts falling due within one year	10	(5,496)	(5,436)
Net current liabilities		2,004	(973)
Total assets less current liabilities		26,218	23,975
Net assets excluding pension liability		26,218	23,975
Defined benefit pension liability	14	0	(556)
Total net assets		26,218	23,419
The Funds of the charity			
Expendable endowment funds	12	5,458	6,144
Restricted income funds	12	76	84
Unrestricted funds	12	20,684	17,747
Pensions reserve	12	0	(556)
Total unrestricted funds	13	20,684	17,191
Total funds including pensions reserve	13	26,218	23,419

The unconsolidated surplus incurred by the Charity in 2022 was £1,732,000 (2021: £498,000)

The accounts were approved and authorised for issue by the Trustees on 22 February 2023 and signed on their behalf by:



Bill Emmott
Chair of the Trustees

The notes on pages 26 to 47 form part of these accounts

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended 30th September 2022

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Cash flows from operating activities:					
Net cash (used in) / provided by operating activities	17		388		904
Cash flows from investing activities:					
Dividends, interest and rents from investments		315		295	
Purchase of property, plant and equipment		(473)		(1,111)	
Proceeds from sales of property, plant and equipment		-		-	
Purchase of software and website costs		(368)		(89)	
Purchase of investments		(1,179)		(2,028)	
Proceeds from sales of investments		1,360		2,098	
Net cash (used in) provided by investing activities			(345)		(835)
Net cash provided by (used in) financing activities			-		150
Change in cash and cash equivalents in the year			43		219
Cash and cash equivalents at the beginning of the reporting period			6,366		6,147
Cash and cash equivalents at the end of the reporting period	18		6,409		6,366

The notes on pages 26 to 47 form part of these accounts

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Status

The Institute is a registered charity and a company limited by guarantee, incorporated in England and Wales. Its registered office address is Arundel House, 6 Temple Place, London WC2R 2PG. The Trustees constitute Directors for the purposes of the Companies Act and act as Trustees for the purposes of the Charities Act. The charity is a Public Benefit Entity.

b) Accounting convention

The accounts of the Charity and the Group have been prepared under the historical cost convention as modified by the revaluation of investments and in accordance with FRS102. The accounts are prepared in accordance with the Companies Act, and the current Statement of Recommended Practice: 'Accounting and Reporting by Charities' (SORP). The functional and reporting currency of the Group is GBP.

Basis of consolidation

The accounts include the assets, liabilities and funds, and the statement of financial activities of the charity and its subsidiary undertakings. Subsidiaries' activities are consolidated on a line by line basis. A separate statement of financial activities has not been prepared for the Charity alone as permitted by Section 408 of the Companies Act 2006.

Going concern

After making enquiries, the Trustees have reasonable expectation that the charity has adequate resources to continue its activities for the foreseeable future, and are satisfied that there are no material uncertainties surrounding the ability of the group to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the financial statements as outlined in the Trustees' Report above.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in this note, trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

Significant areas of estimate and judgement include provisions, income recognition, and assumptions used to value the defined benefit pension scheme and the remaining useful life of assets. Related accounting policies for these items are noted below. The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the presentation of the financial statements are as follows:

c) Investments

All investments are valued at their mid-market value at the balance sheet date, which gives rise to unrealised gains and losses. The differences between the carrying value (or cost if acquired during the year) and the proceeds of liquidated investments are identified as realised investment gains or losses. Realised and unrealised gains and losses are presented net in the Statement of Financial Activities.

Investment income and related tax credits are accounted for when received.

d) Restricted funds

Restricted funds are funds subject to specific restrictive conditions imposed by donors or by the purpose of the funds raised.

e) Expendable Endowment funds

The expendable endowment fund is treated as capital until the right to transfer funds to income and expend in accordance with the donor conditions has been granted.

f) Tangible fixed assets and depreciation

Furniture, fittings and equipment acquisitions are stated at cost. Freehold buildings are stated at cost. Depreciation is charged when assets are brought into use. The following depreciation policies are applied consistently across the group over the useful economic lives of the assets on a straight line basis:

- i) Computers, printers and other electronic equipment with functional unit costs in excess of £1,000 are depreciated over a period of three years.
- ii) Furniture, fittings and equipment of a non-electronic nature with unit costs in excess of £250 are depreciated over a period of five years.
- iii) Plant and machinery items with unit costs in excess of £1,000 are depreciated over a period of ten years.
- iv) Leasehold improvements with unit costs in excess of £1,000 are depreciated over the life of the lease.
- v) Freehold Building improvements with unit costs in excess of £1,000 are depreciated over a period of fifteen years.
- vi) Freehold building depreciation is charged at 1% using the straight line basis.

No depreciation is charged on freehold land or on assets in the course of construction.

g) Intangible fixed assets and amortisation

Website costs and software acquisitions are stated at cost. Amortisation is charged when assets are brought into use. The following amortisation policy is applied consistently across the group:

- i) Software and website costs in excess of £1,000 are depreciated over their useful economic lives on a straight line basis over a period of three years.

No amortisation is charged on assets in the course of development.

h) Debtors

Debtors are stated in the balance sheet at estimated net realisable value, being the invoiced amount less any provision for bad and doubtful debtors. Provisions are made specifically against debtors where there is evidence of a dispute or an inability to pay. An additional provision is made against older balances.

i) Cash at bank and in hand

Cash includes cash-in-hand, cash-at-bank and bank overdrafts. Bank loans are included within Creditors.

j) Creditors

Trade and other creditors: Trade and other creditors are stated at cost.

k) Foreign currency

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

Foreign currency subsidiaries are translated into UK£ Sterling on the following basis:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at average exchange rates for the financial year; and
- all resulting exchange differences are taken to the Statement of Financial Activities.

l) Publications and membership income

Publications revenue advanced to the Institute under agreement with the publishers is recognised during the financial year in which the sale arises. An estimate of additional royalty income due up to 30 September 2022, to be received in early 2023, has been made in these financial statements.

Membership income is recognised on the subscription period start date. Any income invoiced in advance of the subscription period start date is deferred and recognised in the relevant accounting year.

m) Grants

Research grants are credited to the Statement of Financial Activities in accordance with the progress and performance of the grant programme activities. Income for Dialogues is recognised to the extent that the event has been planned and progress work completed in line with the contract.

When donors specify that grants are for particular restricted purposes, this income is included in incoming resources of restricted funds.

n) Deferred income

Income is deferred to future periods where the donor has placed an external restriction that the income should be used in those future periods or where the Institute has not fully earned entitlement to that income.

o) Expenditure

Expenditure is classified under the principal categories of Raising Funds, Charitable Activities, Commercial Activities Operating Expenditure and Financing Costs.

Charitable activities costs comprise all expenditure directly related to the objects of the Institute including direct staff costs attributable to each activity, together with a corresponding apportionment of central support costs.

Support costs are apportioned to charitable activities by a method based on the average headcount of employees allocated to each activity for the financial year.

Knowledge and Information expenses are included within support costs.

Financing Costs comprise those costs directly attributable to investment managers' fees/commissions and borrowing costs incurred in relation to financing.

Raising Funds comprise those costs directly attributable to fundraising activities.

Other Trading Activities Operating Expenditure comprise all costs incurred by Arundel House Enterprises Limited in delivering its catering, event and consultancy activities.

Expenditure is accounted for on an accruals basis.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2022

p) Leasing

Rental costs under operating leases are charged to the Statement of Financial Activities in equal amounts over the period of the leases.

q) Pension costs

The Institute maintains a contributory defined benefit pension scheme which was closed to new entrants in 2001. The assets of the scheme are held separately from those of the Institute being invested in managed funds. The pension scheme is accounted for in accordance with FRS102 Retirement Benefits.

The Institute has defined contribution pension schemes which are open to all employees and also contributes to the personal pensions of some employees. Contributions to the scheme are accounted for when payable. Further details of all pension schemes can be found in Note 14.

r) Redundancy and termination payments

Redundancy and termination payments only occur when absolutely necessary as the Institute seeks to minimise organisational change. When redundancy or termination payments do arise, they are charged on an accruals basis and included with Staff Costs.

s) Knowledge and Information Services

The Knowledge and Information Services (formerly the Library) holds a comprehensive collection of books, journals, pamphlets and online resources covering a broad range of current international relations, security and defence topics. The collection is regularly updated for continued use by IISS research staff. New publications are expensed through the SoFA and the library does not hold any valuable publications which may require inclusion on the Balance Sheet.

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Annual Report and Financial Statements for the year ended 30th September 2022

2 Donations

	2022 £'000	2021 £'000
Donation in support of the IISS-Middle East office and related research activities	2,901	2,713
Other	50	99
	2,951	2,812

3 i) Dialogues, conferences and lecture series

	2022 £'000	2021 £'000
Manama Dialogue	3,728	3,699
Shangri-La Dialogue	4,055	3,506
Riyadh Defense Forum	1,818	121
Lecture series	89	36
	9,690	7,362

Funding for dialogues, conferences and lecture series received during the year from UK and international Governments totalled £9,561,000 (2021: £7,251,000).

3 ii) Research programmes

	2022 £'000	2021 £'000
South and Central Asian Defence, Strategy and Diplomacy	1,033	601
Strategy, Technology and Arms Control	529	361
Europe	447	167
US Foreign policy and transatlantic affairs	209	168
Defence & Military Analysis	1,897	1,078
Conflict, Security & Development	-	50
Geo-Economics & Strategy	419	462
Middle East	1,111	253
Southeast Asian Politics and Foreign Policy	1,546	1,014
Cyber Power and Future Conflict	1,144	630
Japan Chair	92	73
Other Research Programmes	45	8
	8,472	4,865

Funding for research projects received during the year from UK and international Governments totalled £4,624,000 (2021: £3,637,000)

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Annual Report and Financial Statements for the year ended 30th September 2022

4 i) Analysis of expenditure - charitable activities and governance

Group

	Staff costs £'000	Other direct costs £'000	Depreciation charges £'000	Exchange (gains) /losses £'000	Allocation of support costs £'000	Total 2022 £'000	Total 2021 £'000
Charitable activities							
<i>Primary costs</i>							
Dialogues and conferences	1,416	4,897	-	38	1,648	7,999	6,034
Research programmes	4,928	2,942	63	-	3,413	11,346	7,734
Publications	1,539	249	43	-	2,093	3,924	2,993
Membership	114	30	-	-	282	426	470
<i>Support costs</i>							
Support operations	4,871	1,667	660	238	(7,436)	-	-
Total 2022	12,868	9,785	766	276	-	23,695	17,231
Total 2021	10,611	5,838	811	(29)	-		17,231

The above table analyses by expense category the costs related to the charitable activities and the governance of the Institute. Charitable activities costs include both primary costs, which are directly attributable to specific charitable activities, and centrally incurred support costs. The total support costs are then apportioned across the specific activities in accordance with the average headcount of employees allocated to each activity for the financial year. Costs relating to commercial activities are not included in the above table.

Included in support costs for 2022 are governance costs of £116,000 (2021: £77,000). Governance costs include staff costs, trustee travel to board meetings and audit fees.

Staff costs include amounts paid to consulting fellows and other consulting associates not on the payroll, so will be higher than salaries and wages costs included in Note 5.

4 ii) Net Income/ Expenditure

	2022 £'000	2021 £'000
Net income/ expenditure is stated after charging:		
Depreciation	685	547
Amortisation	136	281
Auditors' remuneration		
- Audit fees	28	28
- Tax advisory and other services	19	19
Operating leases		
- Land and buildings	821	821
Trustees' professional indemnity insurance	11	11

5 Staff costs

	2022 £'000	2021 £'000
Wages and salaries	10,064	8,427
Social security costs	1,023	810
Employers' contribution to defined contribution pension schemes	457	417
Operating costs of defined benefit pension schemes (excluding finance costs)	35	33
Other forms of employee benefits	616	565
	12,195	10,251

Costs of Consulting Fellows and other sub-contractors totalling £898,000 (2021: £634,000) are not included in the figures above.

Wages and salaries include £4,833,000 (2021: £2,781,000) in respect of restricted grant funded staff salaries.

Remuneration of key management personnel totalled £2,505,000 during the year (2021: £2,333,000).

Redundancy payments of £57,000 were paid during the year (2021: £7,000).

The average number of employees (headcount) during the year

	No.	No.
Dialogues and conferences	14	13
Research programmes	53	45
Publications	32	29
Commercial Activities	2	2
Membership	4	5
Support	53	47
	158	141

Number of employees whose emoluments were over £60,000

	No.	No.
£640,001 to £650,001	1	1
£220,001 to £230,000	2	-
£210,001 to £220,000	-	1
£200,001 to £210,000	2	-
£190,001 to £200,000	1	2
£180,001 to £190,000	-	1
£160,001 to £170,000	1	-
£150,001 to £160,000	-	1
£140,001 to £150,000	1	-
£130,001 to £140,000	3	3
£120,001 to £130,000	2	4
£110,001 to £120,000	5	4
£100,001 to £110,000	3	4
£90,001 to £100,000	7	2
£80,001 to £90,000	7	8
£70,001 to £80,000	5	2
£60,001 to £70,000	11	7
	51	40

None of the above employees (2021: none) are accruing retirement benefits under the defined benefit scheme.

40 of the above employees (2021:33) are accruing retirement benefits under money purchase schemes, and contributions on their behalf amounted to £308,000 (2021: £259,000).

For staff who are directly attributable to specific charitable activities (including both restricted and unrestricted funds), the pension costs are allocated on the same apportionment basis as their staff time/salaries. Support staff pension costs are apportioned on a headcount basis, outlined in note 4.i.

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Annual Report and Financial Statements for the year ended 30th September 2022

6 Intangible fixed assets

Group	Software and Website costs £'000	Total £'000
Cost		
At 1 October 2021	2,278	2,278
Exchange differences on consolidation	7	7
Disposals	-	-
Additions	368	368
At 30 September 2022	2,653	2,653
Amortisation		
At 1 October 2021	2,048	2,048
Exchange differences on consolidation	7	7
Eliminated on disposals	-	-
Charge for the year	136	136
At 30 September 2022	2,191	2,191
Net book value		
At 30 September 2022	462	462
At 30 September 2021	230	230

Projects under development total £255,000 (2021 £Nil) in relation to database development costs. These are treated as Assets under construction and are not amortised until they are in use. We expect these assets to come into use February 2023.

Charity	Software and Website costs £'000	Total £'000
Cost		
At 1 October 2021	2,259	2,259
Exchange differences on consolidation	6	6
Disposals	-	-
Additions	368	368
At 30 September 2022	2,633	2,633
Amortisation		
At 1 October 2021	2,028	2,028
Exchange differences on consolidation	6	6
Eliminated on disposals	-	-
Charge for the year	136	136
At 30 September 2022	2,170	2,170
Net book value		
At 30 September 2022	463	463
At 30 September 2021	231	231

Projects under development total £255,000 (2021 £Nil) in relation to database development costs. These are treated as Assets under construction and are not amortised until they are in use. We expect these assets to come into use February 2023.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2022

7 Tangible fixed assets

Group	Freehold land £'000	Freehold buildings £'000	Furniture, fittings, plant & machinery, equipment, building improvements & motor vehicles £'000	Total £'000
Cost				
At 1 October 2021	3,000	11,456	7,930	22,386
Exchange differences on consolidation	-	-	701	701
Disposals	-	-	(73)	(73)
Additions	-	-	473	473
At 30 September 2022	3,000	11,456	9,031	23,487
Depreciation				
At 1 October 2021	-	2,638	5,974	8,612
Exchange differences on consolidation	-	-	606	606
Eliminated on disposals	-	-	(73)	(73)
Charge for the year	-	115	570	685
At 30 September 2022	-	2,753	7,077	9,830
Net book value				
At 30 September 2022	3,000	8,703	1,954	13,657
At 30 September 2021	3,000	8,818	1,956	13,774

Furniture, fittings, plant & machinery, equipment, building improvements and motor vehicles contain assets in the course of construction of £60,000 (2021: £114,000).

Charity	Freehold land £'000	Freehold buildings £'000	Furniture, fittings, plant & machinery, equipment, building improvements & motor vehicles £'000	Total £'000
Cost				
At 1 October 2021	3,000	11,456	6,792	21,248
Exchange differences on consolidation	-	-	469	469
Disposals	-	-	(73)	(73)
Additions	-	-	407	407
At 30 September 2022	3,000	11,456	7,595	22,051
Depreciation				
At 1 October 2021	-	2,638	5,326	7,964
Exchange differences on consolidation	-	-	416	416
Eliminated on disposals	-	-	(73)	(73)
Charge for the year	-	115	402	517
At 30 September 2022	-	2,753	6,071	8,824
Net book value				
At 30 September 2022	3,000	8,703	1,524	13,227
At 30 September 2021	3,000	8,818	1,466	13,284

Furniture, fittings, plant & machinery, equipment, building improvements and motor vehicles contain assets in the course of construction of £60,000 (2021: £114,000).

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2022

8 Fixed asset investments

Group and charity

	2022 £'000	2021 £'000
Quoted		
Hedge Funds	411	392
Property Fund	606	542
Portfolio Funds	5,683	6,321
UK Fixed Interest Funds	530	271
International Fixed Interest Funds	0	336
UK Equity Funds	628	701
International Equity Funds	2,558	2,836
Total Quoted investments	10,416	11,399
Portfolio cash	108	35
Total market value at 30 September	10,524	11,434
Total historical cost at 30 September	9,579	9,758
Reconciliation of opening and closing market values		
Opening market value at 1 October	11,399	10,270
Additions at cost	1,179	2,028
Disposals at opening market value	(1,360)	(2,070)
Net (loss)/gain on revaluation	(802)	1,171
Closing market value at 30 September	10,416	11,399
Portfolio cash at 30 September	108	35
Total market value at 30 September	10,524	11,434

9 Debtors

Group

	2022 £'000	2021 £'000
Trade debtors	833	901
Other debtors	715	739
Prepayments and accrued income	2,193	1,420
	3,741	3,060

Charity

	2022 £'000	2021 £'000
Trade debtors	586	856
Other debtors	463	404
Amounts owed by group and associated undertakings	672	607
Prepayments and accrued income	2,046	1,172
	3,767	3,039

10 Creditors: amounts falling due within one year

Group

	2022 £'000	2021 £'000
Trade creditors	644	680
Other creditors	203	151
Taxation and social security	228	200
Accruals	860	586
Deferred income (note 11)	5,978	6,441
	7,913	8,058

Charity

	2022 £'000	2021 £'000
Trade creditors	615	638
Other creditors	88	89
Taxation and social security	212	184
Accruals	776	514
Deferred income (note 11)	3,805	4,011
	5,496	5,436

11 Deferred income

Group

	2022 £'000	2021 £'000
Brought forward at 1 October 2021	6,441	6,528
Received in the year	14,796	12,661
Expended in the year	(15,261)	(12,748)
Carried forward at 30 September 2022	5,976	6,441

Charity

	2022 £'000	2021 £'000
Brought forward at 1 October 2021	4,011	3,873
Received in the year	6,679	6,757
Expended in the year	(6,885)	(6,619)
Carried forward at 30 September 2022	3,805	4,011

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12 Movement in funds

Group	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	6,144	(292)	-	-	(394)	5,458
Restricted						
Gerald Segal Memorial Fund	22	-	-	-	-	22
Research Grants	180	7,002	(7,064)	-	-	118
	202	7,002	(7,064)	-	-	140
Unrestricted						
General fund	20,272	17,829	(16,893)	(42)	8	21,174
Pensions reserve	(556)	-	-	42	514	-
	19,716	17,829	(16,893)	-	522	21,174
Total funds	26,062	24,539	(23,957)	-	128	26,772
Charity	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	6,144	(292)	-	-	(394)	5,458
Restricted						
Gerald Segal Memorial Fund	22	-	-	-	-	22
Research Grants	62	4,217	(4,225)	-	-	54
	84	4,217	(4,225)	-	-	76
Unrestricted						
General fund	17,747	12,618	(9,471)	(42)	(168)	20,684
Pensions reserve	(556)	-	-	42	514	-
	17,191	12,618	(9,471)	-	346	20,684
Total funds	23,419	16,543	(13,696)	-	(48)	26,218

Expendable endowment - restricted to fund a Chair in Japanese Security Studies at the IISS

Gerald Segal Memorial Fund - to fund study on Asian issues.

Restricted Grants - for research projects and specific non-research projects in strategic studies.

Pensions reserve - represents the FRS102 pension liability.

13 Analysis of net assets by fund

Group	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,657	13,657
Intangible assets	-	-	462	462
Investments	5,458	-	5,066	10,524
Net current assets/ (liabilities)	-	140	1,989	2,129
Pension liability	-	-	-	-
	5,458	140	21,174	26,772
Charity	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,227	13,227
Intangible assets	-	-	463	463
Investments	5,458	-	5,066	10,524
Net current assets/ (liabilities)	-	76	1,928	2,004
Pension liability	-	-	-	-
	5,458	76	20,684	26,218

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2022

14 Pension schemes

The disclosures set out below relate to pension schemes to which contributions are made by the charity – a defined benefit scheme, individual personal pension schemes and a defined contribution scheme.

a Defined benefit scheme

The Institute sponsors the International Institute for Strategic Studies Staff Superannuation Scheme which is a defined benefit arrangement. The last completed full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 March 2018. The scheme is closed to new entrants and no contributions were made during the year.

During the year, the Institute has made payments of £48,000 to reduce the overall scheme deficit as identified in the triennial actuarial valuation of the scheme as at 1 March 2018.

i) The amounts recognised in the balance sheet are as follows:

	2022 £'000	2021 £'000
Present value of funded obligations	(2,184)	(3,363)
Fair value of plan assets	2,345	2,807
Asset/(deficit)	161	(556)
Effect of asset ceiling	(161)	-
Net defined benefit asset/(liability)	-	(556)
Amounts in the balance sheet:		
Liabilities	-	(556)
Assets	-	-
Net liability	-	(556)

ii) Changes in the present value of the defined benefit obligation are as follows:

	2022 £'000	2021 £'000
Defined benefit obligation at start of year	3,363	3,418
Interest expense	66	58
Actuarial losses / (gains)	(1,177)	(61)
Benefits paid and expenses	(68)	(52)
Defined benefit obligation at end of year	2,184	3,363

iii) Changes in the fair value of the scheme assets are as follows:

	2022 £'000	2021 £'000
Opening fair value of scheme assets	2,807	2,677
Interest Income	56	46
Actuarial gains / (losses)	(502)	88
Contributions by the company	52	48
Benefits paid and expenses	(68)	(52)
Fair value of scheme assets at the year end	2,345	2,807

	2022 £'000	2021 £'000
The actual return on the plan assets in the year	(446)	134

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Annual Report and Financial Statements for the year ended 30th September 2022

14 Pension scheme (continued)

iv) The defined benefit costs recognised within the Statement of Financial Activities are as follows:

	2022 £'000	2021 £'000
Net interest cost	10	12
Total amount charged to the Statement of Financial Activities	10	12

The International Institute for Strategic Studies expects to contribute £60,000 to its defined benefit pension scheme in the year ending 30 September 2023.

v) Defined benefit costs included in other recognised gains and losses

	2022 £'000	2021 £'000
Return on plan assets (excluding amounts included in net interest cost) - gain / (loss)	(502)	88
Experience gains / (losses) arising on the plan liabilities	(194)	60
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - gain / (loss)	1,371	1
Changes in asset ceiling	(161)	-
Total losses included in other recognised gains and losses	514	149

vi) The major categories of scheme assets are as follows:

	2022 £'000	2021 £'000
Equities	907	975
Fixed Interest	680	1,028
Diversified Growth	484	566
Property	204	178
Cash and other	70	60
Total Assets	2,345	2,807

vii) Principal assumptions at the balance sheet date (expressed as weighted averages)

	2022	2021
Discount rate at 30 September	5.26%	2.00%
Inflation (RPI)	3.90%	3.70%
Inflation (CPI)	2.95%	2.90%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.95%	2.90%
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.60%	3.60%
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	2.20%	2.50%
Allowance for commutation of pension for cash at retirement	50% of Post A Day	50% of Post A Day

viii) The mortality assumptions adopted at 30 September 2022 imply the following life expectancies at age 65:

	Years
Male retiring in 2022	22.20
Female retiring in 2022	23.90
Male retiring in 2042	23.50
Female retiring in 2042	25.40

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Annual Report and Financial Statements for the year ended 30th September 2022

14 Pension scheme (continued)

b Personal pension plans

The Institute also contributes to the personal pension schemes of some employees. The contributions are charged to the Statement of Financial Activities when due and the cost for the financial year ended 30 September 2022 was £64,000 (2021: £62,000).

c Defined contribution scheme

The Institute has a defined contribution pension scheme which is open to all employees. The contributions made in the year ended 30 September 2022 were £387,000 (2021: £349,000). Contributions outstanding at the year end amounted to £76,000 (2021: £60,000).

d IISS-US pension scheme

The Institute contributes to a United States 401(k) defined contribution pension scheme which is open to employees at the IISS-US office. The contributions paid in the year ended 30 September 2022 were £29,000 (2021: £22,000). Contributions accrued at the year end amounted to £5,200 (2021: £5,000).

15 Leasing commitments

The future total minimum payments to which the Group is committed as at 30 September 2022 under operating lease agreements are as follows:

	2022 £'000	2021 £'000
Office premises		
Net present value of total lease commitments due:		
Within one year	1,277	1,039
Between one and two years	1,133	1,050
Between two and five years	1,390	2,108
Over five years	<u>1,497</u>	<u>1,639</u>

16 Capital commitments

As at 30 September 2022, there were capital commitments contracted but not provided for of £371,000; for website development (2021: £190,000).

17 Reconciliation of net incoming resources to net cash inflow from operating activities

	2022 £'000	2021 £'000
Net income for the reporting period (as per the statement of financial activities)	(147)	2,009
Adjustments for:		
Dividends and interest from investments	(315)	(295)
Depreciation charges	685	547
Amortisation charges	136	281
Pension reserve deficit funding	(42)	(36)
Losses/ (Gains) on investments	729	(1,196)
Exchange losses/ (gains) on fixed assets	(95)	6
Change in cash and cash equivalents due to exchange rate movements	343	(70)
(Gain)/Loss on disposal of fixed assets	(29)	10
(Increase)/ Decrease in debtors	(732)	(890)
Increase in creditors	<u>(145)</u>	<u>538</u>
Net cash provided by (used in) operating activities	<u>388</u>	<u>904</u>

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2022

18 Analysis of cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	6,301	6,178
Portfolio cash	108	35
	<u>6,409</u>	<u>6,213</u>

19 Related Parties

a Trustees or connected persons

The Trustees did not receive any remuneration during the current or previous year.

No transactions, contracts or other arrangements (including grants) with any Trustees were entered into by the Institute during the year ended 30 September 2022 (2021: Nil).

Travel expenses for both governance and attending Institute dialogues and other activities were paid or reimbursed in respect of 7 trustee (2021: 1) and the total amount was £14,000 (2021: £3,000).

b Other related parties

The ultimate parent undertaking (Parent Charity) includes IISS-UK, and its two branches, IISS-US and IISS-Middle East.

i Arundel House Enterprises Ltd

Related party transactions of the ultimate parent undertaking with Arundel House Enterprises Ltd were as follows:

	2022 £'000	2021 £'000
Balance at beginning of year	(20)	3
Expenses paid on behalf of Parent	(773)	(134)
Expenses paid on behalf of related party	991	282
Amounts paid in during the year	(280)	(269)
Foreign currency movement	(150)	27
Balance at end of year	<u>(232)</u>	<u>(91)</u>

ii International Institute for Strategic Studies (Asia) Ltd

Related party transactions of the ultimate parent undertaking with IISS-Asia Ltd were as follows:

	2022 £'000	2021 £'000
Balance at beginning of year	-	-
Expenses paid on behalf of Parent	(14)	(11)
Expenses paid on behalf of related party	2,337	2,360
Amounts paid out during the year		
Amounts paid in during the year	(4,472)	(1,146)
Foreign currency movement	(266)	2
Balance forgiven on behalf of Parent	<u>2,415</u>	<u>(1,205)</u>
Balance at end of year	<u>-</u>	<u>-</u>

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III Strategic Studies Fund

There were no related party transactions of the ultimate parent undertaking with the Strategic Studies Fund during 2022 (2021: Nil).

Related party transactions of IISS-Asia with the Strategic Studies Fund were as follows:

	2022 £'000	2021 £'000
Balance at beginning of year	(421)	(495)
Expenses paid on behalf of Parent (IISS-Asia)	-	-
Expenses paid on behalf of related party	220	168
Amounts paid in during the year	14	(98)
Foreign currency movement	(59)	4
Balance at end of year	<u>(246)</u>	<u>(421)</u>

IV IISS India Organisation

Related party transactions of the ultimate parent undertaking with IISS India Organisation were as follows:

	2022 £'000	2021 £'000
Balance at beginning of year	72	76
Expenses paid on behalf of Parent	-	-
Expenses paid on behalf of related party	-	-
Foreign currency movement	7	(4)
Balance at end of year	<u>79</u>	<u>72</u>

V IISS Europe gemeinnützige GmbH

Related party transactions of the ultimate parent undertaking with IISS Europe gemeinnützige GmbH were as follows:

	2022 £'000	2021 £'000
Balance at beginning of year	555	65
Expenses paid on behalf of related party	243	251
Amounts paid out during the year	(230)	240
Foreign currency movement	5	(1)
Balance at end of year	<u>573</u>	<u>555</u>

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Annual Report and Financial Statements for the year ended 30th September 2022

20 Subsidiary undertakings

I Arundel House Enterprises Ltd

Registered office : Arundel House, 6 Temple Place, London, WC2R 2PG
Registered number : 3720258

- a The charity beneficially owns the entire share capital of Arundel House Enterprises Limited, a company incorporated in England and Wales under registration number 3720258, which manages the conference facilities of Arundel House and Bloomsbury House. The results for Arundel House Enterprises Limited have been consolidated into the group financial statements.

b Summary of profit and loss account for Arundel House Enterprises Ltd

	2022 £'000	2021 £'000
Turnover	440	300
Cost of sales	(42)	(25)
Gross profit	398	275
Other expenses	(199)	(205)
Net profit before taxation	199	70
Gift Aid to IISS	(199)	(71)
Loss after taxation	-	(1)

c Summary of balance sheet for Arundel House Enterprises Ltd

	2022 £'000	2021 £'000
Tangible fixed assets	-	-
Debtors	145	55
Cash at bank and in hand	18	16
Current assets	163	71
Creditors	(153)	(61)
Net assets	10	10
Aggregate capital and reserves	10	10

II International Institute for Strategic Studies (Asia) Ltd

Registered office : 9 Raffles Place, #51-01 Republic Plaza, Singapore 048619
Registration number : 200106226Z

- a The charity holds a majority of the voting rights of The International Institute for Strategic Studies (Asia) Limited, a company limited by guarantee and incorporated in Singapore under company number 200106226Z. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b Summary of income statement for International Institute for Strategic Studies (Asia) Ltd

	2022 £'000	2021 £'000
Dialogue and Lecture Series	4,055	3,506
Research programmes	2,279	1,425
Other	14	22
Total income	6,348	4,953
Dialogue and Lecture Series	(3,445)	(3,140)
Research programmes	(4,858)	(350)
Total expenses	(8,303)	(3,490)
Surplus for the year	(1,955)	1,463

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2022

c Summary of balance sheet for International Institute for Strategic Studies (Asia) Ltd

	2022 £'000	2021 £'000
Tangible fixed assets	292	355
Debtors	50	80
Cash at bank and in hand	<u>1,990</u>	<u>4,160</u>
Current assets	2,040	4,240
Creditors	<u>(1,500)</u>	<u>(1,991)</u>
Net assets	<u>832</u>	<u>2,604</u>
Aggregate capital and reserves	<u>832</u>	<u>2,604</u>

III Strategic Studies Fund

Registered office : 9 Raffles Place, #51-01 Republic Plaza, Singapore 048619
IPC Registration number : 1798

- a The charity is a trustee of the Strategic Studies Fund (SSF), a trust established in Singapore under Charity number 1798, and has ultimate discretion over the disbursement of SSF funds. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b Summary of income statement for Strategic Studies Fund

	2022 £'000	2021 £'000
Lectures Series	89	36
Research	<u>100</u>	<u>128</u>
Total income	<u>189</u>	<u>164</u>
Lectures Series	(91)	(36)
Research	(123)	(125)
Other expenses	-	-
Total expenses	<u>(214)</u>	<u>(161)</u>
Surplus for the year	<u>(25)</u>	<u>3</u>

c Summary of balance sheet for Strategic Studies Fund

	2022 £'000	2021 £'000
Debtors	247	421
Creditors	<u>(211)</u>	<u>(365)</u>
Net assets	<u>36</u>	<u>56</u>
Reserves	<u>36</u>	<u>56</u>

IV IISS India Organisation

Registered office: E-301, East of Kailash, New Delhi-110065, India
Incorporated in India with limited liability under number U80903DL2014NPL270367

- a The charity holds a majority share-holding (99.9%) in IISS India Organisation, a limited not for profit company incorporated in India. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2022

b Summary of income statement for IISS India Organisation

	2022 £'000	2021 £'000
Other Income	-	-
Total income	-	-
Other expenses	17	-
Total expenses	17	-
Deficit for the year	(17)	-

c Summary of balance sheet for IISS India Organisation

	2022 £'000	2021 £'000
Debtors	8	7
Cash at bank and in hand	1	17
Current assets	9	24
Creditors	(83)	(75)
Net assets	(74)	(51)
Aggregate capital and reserves	(74)	(51)

V IISS Europe gemeinnützige GmbH

Registered office: Palais am Pariser Platz, Pariser Platz 6A, 10117 Berlin, Germany

- a The charity holds a 100% share in IISS Europe gemeinnützige GmbH, a not for profit company incorporated in Germany on 28 May 2019. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b Summary of income statement for IISS-Europe

	2022 £'000	2021 £'000
Research	1,310	682
Other Income	-	11
Total income	1,310	693
Research	(1,577)	(645)
Total expenses	(1,577)	(645)
Surplus/(Deficit) for the year	(267)	48

c Summary of balance sheet for IISS-Europe

	2022 £'000	2021 £'000
Tangible fixed assets	136	135
Debtors	201	87
Cash at bank and in hand	559	561
Current assets	760	648
Creditors	(1,146)	(757)
Net assets	(250)	26
Aggregate capital and reserves	(250)	26

21 Comparative Information

i) Consolidated Statement of Financial Activities (incorporating an income and expenditure account)

Year ended 30th September 2021

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2021 £'000	Total Funds 2020 £'000
Income from:						
<i>Donations</i>	2	2,812	-	-	2,812	2,941
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	3	7,362	-	-	7,362	5,880
Research programmes	3	1,007	3,858	-	4,865	4,479
Publications		1,319	-	-	1,319	1,445
Membership		1,450	-	-	1,450	1,593
Other trading activities		268	-	-	268	396
<i>Investments</i>		74	221	-	295	257
<i>Capital applied to income</i>			131	(131)	-	-
<i>Other income</i>		25	-	-	25	25
Total		14,317	4,210	(131)	18,396	17,016
Expenditure on:						
<i>Raising funds</i>		153	-	-	153	138
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	4	6,034	-	-	6,034	4,884
Research programmes	4	3,654	4,079	-	7,733	7,804
Publications	4	2,994	-	-	2,994	2,823
Membership	4	471	-	-	471	564
<i>Other trading activities</i>		198	-	-	198	396
Total		13,504	4,079	-	17,583	16,609
Net gains on investments	17	612	-	584	1,196	(53)
Net income/ (expenditure)		1,425	131	453	2,009	354
Transfers between funds	12	-	-	-	-	-
Other recognised gains/(losses):						
Foreign exchange gains		(70)	-	-	(70)	(34)
Actuarial losses on defined benefit pension schemes	14	149	-	-	149	(56)
Net movement in funds		1,504	131	453	2,088	264
Funds brought forward at 1 October 2020	12	18,212	71	5,691	23,974	23,710
Funds carried forward at 30 September 2021	12,13	19,716	202	6,144	26,062	23,974

All amounts relate to continuing operations and, as all gains and losses are included, a separate statement of total recognised gains and losses has not been presented.

ii) Comparative movement in funds

For the year ended 30 September 2021

Group	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	5,691	- 131	-		584	6,144
Restricted						
Gerald Segal Memorial Fund	24	-	(2)			22
Research Grants	47	4,210	(4,077)			180
	71	4,210	(4,079)	-	-	202
Unrestricted						
General fund	18,953	14,317	(13,504)	(36)	542	20,272
Pensions reserve	(741)			36	149	(556)
	18,212	14,317	(13,504)	-	691	19,716
Total funds	23,974	18,396	(17,583)	-	1,275	26,062
Charity						
	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	5,691	- 131	-		584	6,144
Restricted						
Gerald Segal Memorial Fund	24	-	(2)			22
Research Grants	51	2,769	(2,758)			62
	75	2,769	(2,760)	-	-	84
Unrestricted						
General fund	17,778	9,752	(10,328)	(36)	581	17,747
Pensions reserve	(741)			36	149	(556)
	17,037	9,752	(10,328)	-	730	17,191
Total funds	22,803	12,390	(13,088)	-	1,314	23,419

Expendable endowment - restricted to fund a Chair in Japanese Security Studies at the IISS

Gerald Segal Memorial Fund - to fund study on Asian issues.

Restricted Grants - for research projects and specific non-research projects in strategic studies.

Pensions reserve - represents the FRS102 pension liability.

iii) Comparative Analysis of net assets by fund

For the year ended 30 September 2021

Group	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,774	13,774
Intangible assets	-	-	230	230
Investments	6,134	-	5,300	11,434
Net current assets/ (liabilities)	-	202	978	1,180
Pension liability	-	-	(556)	(556)
	6,134	202	19,726	26,062
Charity				
	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,284	13,284
Intangible assets	-	-	230	230
Investments	6,134	-	5,300	11,434
Net current assets/ (liabilities)	-	84	(1,057)	(973)
Pension liability	-	-	(556)	(556)
	6,134	84	17,201	23,419

The International Institute for Strategic Studies

FOR INFORMATION ONLY: CHARITY SOFA DOES NOT FORM PART OF AUDITED FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2022

	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2022 £'000	Total Funds 2021 £'000
Income from:					
<i>Donations</i>	3,150	-	-	3,150	2,872
<i>Charitable activities</i>					
Dialogues, conferences and lecture series	5,547	-	-	5,547	3,820
Research programmes	1,089	3,690	-	4,779	2,631
Publications	1,297	-	-	1,297	1,319
Membership	1,442	-	-	1,442	1,450
<i>Investments</i>	80	235	-	315	295
<i>Capital applied to income</i>	-	292	(292)	-	-
<i>Other incoming resources</i>	13	-	-	13	3
Total	12,618	4,217	(292)	16,543	12,390
Expenditure on:					
<i>Raising funds</i>	114	-	-	114	153
<i>Charitable activities</i>					
Dialogues, conferences and lecture series	4,446	-	-	4,446	2,859
Research programmes	573	4,225	-	4,798	6,611
Publications	3,911	-	-	3,911	2,994
Membership	427	-	-	427	471
Total	9,471	4,225	-	13,696	13,088
Net (losses)/ gains on investments	(335)	-	(394)	(729)	1,196
Net income/ (expenditure)	2,812	(8)	(686)	2,118	498
Transfers between funds	-	-	-	-	-
Other recognised gains/(losses):					
Foreign exchange (losses)/ gains	167	-	-	167	(31)
Actuarial gains/ (losses) on defined benefit pension schemes	514	-	-	514	149
Net movement in funds	3,493	(8)	(686)	2,799	616
Funds brought forward at 1 October 2021	17,191	84	6,144	23,419	22,803
Funds carried forward at 30 September 2022	20,684	76	5,458	26,218	23,419

Accounts

Company Number: 615259
Charity Number: 206504

**THE INTERNATIONAL INSTITUTE FOR
STRATEGIC STUDIES**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2021

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STRATEGIC REPORT AND THE REPORT OF THE TRUSTEES

The Trustees present their report for the year ended 30th September 2021. This incorporates the Directors' report, which has been prepared in accordance with the Companies Act 2006 and FRS102, and the Strategic Report. The accounts comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP).

The primary role of the International Institute for Strategic Studies (referred to as 'IISS' or 'the Institute') is to enhance public understanding of questions of international security, help to provide policy makers with facts and analysis to inform and advise their decision-making, and contribute to improved defence diplomacy and conflict resolution.

Strategy

The Institute's medium- to long-term strategy comprises four elements as follows:

1. to provide facts and analysis on the sources of conflict, however caused, which may provoke the use of organised military force, and to examine the changing nature and use of organised force in international affairs;
2. to provide facts and analysis on the nature of political, geopolitical and geo-economic risk and advise governments and the private sector on measures that can be taken to mitigate that risk;
3. to provide an independent platform for intergovernmental consultations on geopolitical and geo-economic issues in private and public settings, supported by the facts and analyses developed by the Institute; and
4. to sustain a network of experts in these matters on the permanent staff, on a part-time consulting basis and also generally among an engaged cohort of the individual membership.

The Institute measures the success of this strategy in the following ways:

- evidence of senior government leaders internationally seeking IISS independent analysis
- attendance at its dialogues and conferences by government officials, international business and media representatives from around the world.
- evidence that the Institute has contributed to improved defence diplomacy and conflict resolution, as confirmed to IISS by government officials
- continued diversification of funding from governments, the private sector, charitable foundations and individuals to maintain a significant body of research across a broad range of thematic and regional programmes.
- worldwide demand for its publications and databases.

During the year ended 30 September 2021, Institute activities continued to be impacted by the COVID-19 pandemic, with restrictions forcing IISS office closures and the postponement or cancellation of in-person events. The Institute has minimised disruption to productivity by improving its virtual capabilities and providing staff with necessary equipment to ensure they could successfully deliver their roles from home during lockdowns. COVID-19 safety measures introduced across all offices have ensured a safe working environment for those staff who needed to attend the office. Where possible, and in close consultation with funders, conferences and workshops have been converted into online webinars or hybrid events to ensure the Institute is able to retain its convening power. Where virtual events were not feasible, alternative activities were agreed with funders to meet project deliverables. As a result, there has been minimal impact on revenue, and the IISS took no COVID-related UK government support, furloughed no staff, and made no COVID-related redundancies. The Trustees have expressed gratitude for the way in which the COVID-19 restrictions have been handled by IISS management to reduce disruption to Institute activities, ensure staff safety and minimise any financial loss.

Despite these challenges, the Institute achieved the main objectives set by the Trustees for the year, which included the expansion of its research output, convening activity and dissemination of its publications, enhanced digital content, and widening the Institute's international network and global coverage. More details can be found in the *Achievements and Performance* section on pages 3 to 8.

Research, Dissemination and Digital Content

The IISS continues to update and expand its digital channels. The podcast episodes of both *Sounds Strategic* and the new *Japan Memo* were downloaded over 78,000 times during the past year by audiences across its top territories of the US, the UK, Australia, Germany and Japan. The Institute's website audience continues to grow, with over 1.6 million users, and increasing engagement with IISS webinars, blogs and research reports, as well as flagship publications and events.

Over the past year, IISS social media activities generated over 25 million impressions and 500,000 engagements across our channel portfolio. The Institute's overall audience reach grew by 19% to 316,000. The strongest growth was seen on the LinkedIn channel, with 104,000 followers, representing a 40% increase. Twitter continues to be a key channel growing by 10% to 150,000 followers. YouTube is a strategic channel for IISS online activities where recorded and livestreamed events generated 280,000 views, a growth of 33% year-on-year. The IISS YouTube channel also gained over 4,500 new subscribers.

The trend over the last few years has been for media coverage to peak around the IISS Manama and Shangri-La Dialogues. This trend changed in 2020 and continued into 2021, mostly due to Covid-19 restrictions which required IISS to convert the 2020 Manama Dialogue into a hybrid event and cancel the 2021 Shangri-La Dialogue. This dip, however, was supplemented with an expansion of the breadth of coverage throughout the year. Following the launch of *The Military Balance* in 2021, the sub-brand received over 800 unique mentions in news media articles across 50 countries.

Survival is the Institute's most-read publication with 375,387 downloads in 2020 and is steadily gaining readership. As of September, downloads of Survival articles for 2021 were 40,465 higher than they were at the same point in 2020. Sales of print copies had also risen as of September 2021 with 330 sales versus 218 for same period last year.

The *Cyber Capabilities* report, launched in June 2021, was a particular success this year. The report generated over 300 pieces of unique coverage across broadcast and digital media in 20 languages.

Reactive highlights in this reporting period included the AUKUS announcement, regular commentary on the Belarus elections, and the Afghanistan military withdrawal, all of which allowed the Institute to take many opportunities to share wider IISS data and expertise with the media.

Convening power

The Institute continued to extend its platforms for intergovernmental consultation and dialogue, in both private and public settings, to improve defence diplomacy and conflict resolution. In all cases, the Institute was able to create informed debate, develop new networks of contacts and engage governments, the private sector, the international expert and opinion-forming community, and IISS members in both open debates and confidential discussions to improve mutual understanding of differing positions and promote new policy approaches.

During the year, the Institute convened 110 events in 5 countries with 8,912 attendees from over 100 countries.

The Institute also continued to deploy its convening power and analytical excellence informally via meetings between senior research staff and leading government figures and policy makers from a range of countries. At these meetings the Institute is able to leverage its global reach and data-based approach to analysis to provide information on which strategically important policy decisions can be made at the highest level.

Global coverage and international strategic network

Investment in analytical expertise and in enhancing the role of its four international offices has been a core focus of the Institute in recent years in order to bring a powerful global perspective to all of its work, as well as engendering the widest possible engagement on issues of international security.

Details about the activities of the international offices can be found on pages 14-15.

OBJECTIVES AND PRINCIPAL ACTIVITIES

The Institute's declared objects are '*to promote on a non-party basis the study and discussion of and the exchange of information upon any major international security issues including without limitation those of a political, strategic, economic, social or ecological nature, and to promote conflict resolution by facilitating discussion and dialogue and publishing analysis on major international security issues to assist and promote the resolution of conflicts between or within nations*'.

The Institute aims to achieve these objects by providing to IISS members, governments, international organisations and the wider public the best possible objective information on military and political developments relevant to the prospects, course and consequences of conflict having an important military dimension. In furtherance of its objectives, the Institute:

- delivers a comprehensive research programme committed to advancing wider understanding of constantly evolving global security issues;
- convenes government officials, independent analysts, business-people and journalists to advance understanding of political, military, economic, environmental and societal trends in the subjects addressed by the Institute's work;
- continues to enhance the online content offered through iiss.org to maximise global access to its research and analysis; and
- maintains an international network of influential and knowledgeable individuals, corporate entities, governments and others as an audience for its research and publications.

The Institute's achievements against its objectives are discussed under the heading '*Achievements and Performance*' below.

The Institute's 'statement of values' and 'policy on financial transparency confidentiality and effectiveness,' published on the IISS website, reaffirm the IISS's commitment to full independence and excellence in all activities, along with the Trustees' determination that fundraising is maintained with the twin aims of guaranteeing the Institute's independence of thought and analysis, as well as maintaining the Institute's effectiveness as a strategic actor in a complex international environment.

The charity had no fundraising activities requiring disclosure under provisions of section 13 of the Charities (Protection and Social Investment) Act 2016.

ACHIEVEMENTS AND PERFORMANCE

Research Programmes

As an independent, non-partisan and international policy institute, the IISS is committed to advancing wider understanding of the critical security issues of the 21st century and their potential trends or resolution. A comprehensive research programme covers these challenges and responds to them both thematically and regionally. The 30-member IISS Advisory Council, composed of distinguished members from around the world, assists the Institute on the intellectual direction of its activities. The programme has been defined under the broad categories of War, Power and Rules covering five thematic and seven regional concentrations:

- Defence and Military Analysis
- Geo-Economics, Geopolitics and Strategy
- Strategic Technologies and Arms Control
- Cyber, Space and Future Conflict
- Conflict, Security and Development
- Latin America
- Asia-Pacific
- Europe
- Middle East, North Africa and the Gulf
- Japan Chair Programme
- South Asia
- Transatlantic Security

IISS research programmes actively contribute to a range of government and corporate briefings, convening external and IISS member events, delivering podcasts, and producing research and analysis for the wide range of IISS publications. More recently, the Institute has paid increasing attention to facilitating dialogue and conflict-resolution. This is achieved by bringing together parties under dispute in 'track-two' meetings, to discuss differences and consider how common interests can be advanced.

In the period under review, IISS research and research-related activities achieved notable impact on a number of fronts. The following is a list of key examples.

- In September 2021, the Defence and Military Analysis Programme (DMAP) published a report on *Cruise Missiles in the Middle East* and in February 2021 DMAP completed a project on *China's Digital Silk Road: integration into national IT infrastructure and wider implications for Western defence industries*. Throughout the year, DMAP implemented the Missile Dialogue Initiative project, convening a series of meetings and publishing several research papers in this framework, and worked on emerging challenges for European security; a comparative study on arms export policies; as well as patterns of conflict and cooperation in the High North and the Arctic.
- The Strategy, Technology and Arms Control (STAC) programme, formerly called the Non-Proliferation and Nuclear Policy programme, had a productive year, with grant awards from the UK's Foreign, Commonwealth and Development Office, and the EU Non-proliferation and Disarmament Consortium. The programme delivered three major reports: an open-source assessment of Iran's missile capabilities and proliferation activities; a thorough accounting of North Korean strategic capabilities, produced in collaboration with the Moscow-based Center for Energy and Security Studies; and an analysis on strengthening the Missile Technology Control Regime and the Hague Code of Conduct against Ballistic Missile Proliferation. It also completed the *Project Atlas* platform, an interactive website with extensive data concerning Middle Eastern countries' defence capabilities. The programme organised two in-person workshops (and several virtual ones) that discreetly brought together experts and officials from the United States, Europe, Iran, and Arab countries to explore solutions to their differing security perspectives. Finally, a series of workshops were convened, and a set of *Survival* articles published, which focused on restarting talks with North Korea over the verifiable dismantlement of its nuclear capability.
- The Geo-economics, Geopolitics and Strategy Programme launched the first phase of the *China Connects* database and interactive map on China's Digital Silk Road (DSR). The launch took place at Bloomberg's New Economy Forum in November 2020. In 2021, the team has worked on the second phase of the project, collecting data on China's broader Belt and Road Initiative (BRI). Work also started on upgrading the platform for the database to improve useability. The team also continued to work on two related printed volumes, the BRI strategic dossier and the DSR Adelphi.
- The Japan Chair Programme contributed an extended piece to the *Asia-Pacific Regional Security Assessment 2021* on Japan's security policy and China and wrote an Adelphi book on Japan's effectiveness as a geo-economic actor, which is due for publication in 2022. The Programme held a series of workshops on the theme of 'Mobile network security for 5G and beyond, prospects for an open architecture model', which also discussed prospects for Open-RAN technologies. The Programme also completed a major report on Japan's relations with the Gulf and launched a new podcast series '*Japan Memo*.'

- The Cyber, Space and Future Conflict programme released its ground-breaking dossier on *Cyber Capabilities and National Power: A Net Assessment*. It had a notable impact globally, through media coverage and follow-up briefings for governments and several corporations. This cyber power project continues with an additional ten country studies to be published in early 2022. The programme also published widely read analyses of future conflict in article form, addressing the integration of cyber and space issues into military planning, with a special focus on the US, China and Russia. This work involved regular contact and briefings with military and policy leaders in Europe and the US, including testimony to a US Congressional Committee.
- The Asia-Pacific research programme has continued to develop its work on important new areas of interest to the Institute's main constituencies, including a focus on major power relations, the South China Sea dispute, and medium powers' security and defence policies in the region. A major published output from the programme was the *Asia-Pacific Regional Security Assessment 2021*.
- The Middle East programme remained active, producing analysis that was featured across all IISS platforms and received attention among government audiences and the media. The research team published longform analysis on the impact of the Covid-19 pandemic on the security and politics of the Middle East, on the geopolitics of the Red Sea, and on the developing ties between the Gulf states and key Asian powers. The Programme also assessed the repercussions on the Middle East of the presidency of Joe Biden, examining how US retrenchment and the decision to restart nuclear diplomacy with Iran are shaping relations among Middle Eastern states.
- With the inclusion of 'defence and security' as one of five key 'pillars' of the official UK-India Roadmap to 2030 (4 May 2021), Rahul Roy-Chaudhury, Senior Fellow for South Asia, regularly briefed the FCDO and MoD on these issues and was appointed as a member of a new UK-India Advisory Council, chaired by the UK Minister of State for South Asia. The South Asia programme launched a major research report, followed by regional media and government outreach, *Nuclear Deterrence and Stability in South Asia: Perceptions and Realities* was published in May 2021. In the immediate aftermath of the Taliban take-over of Afghanistan, the Programme organised a virtual interaction on Afghanistan with India's National Security Advisory Board (NSAB). On 24-26 September 2021, an 'in-person' off-the-record regional security conference was held in Bahrain. This brought together Indian and Pakistani officials and experts 'face-to-face' for the first time after the Taliban take-over to discuss its impact on regional security and on India-Pakistan tensions. Non-Taliban senior political leaders spoke virtually from Kabul; UK FCDO officials and US experts also participated.
- The Conflict, Security and Development programme (CSDP) activities included the publication of the Armed Conflict Survey 2021 (as referenced below) and the completion of the 'Stability in the time of COVID-19' series, supported by PMI. This project explored the coronavirus pandemic's diverse impact on stability across the world through a series of policy papers.

Publications

While this year saw uncertainty over how lockdowns across the globe would affect events and launches, the IISS continued to publish a strong roster of publications.

Strategic Comments covered a range of international security and political-military topics in 2021. With both paid offerings through Taylor and Francis, and certain editions offered for free via the IISS website, topics published included the relationship between Canada and China, the Islamist insurgency in Mozambique, European demographic decline, the Nord Stream 2 pipeline, and the protest movement in Belarus.

Strategic Survey 2020: The Annual Assessment of Geopolitics was published in November 2020, providing a comprehensive annual review of world affairs. As well as in-depth essays covering issues relating to world regions, this edition included thematic essays about contemporary issues including the politics of pandemic, climate change, key international legal gaps, US-China relations, Russia:

the road to 2024, and the US–Taliban deal. Each regional section included drivers of strategic change, a collection of graphics depicting comparable data on state power and the forces underlying geopolitical change over 20 years.

In February 2021, the IISS launched the 62nd edition of *The Military Balance*, providing data and capability assessments for the armed forces of 171 countries. This edition charted the further erosion of the technological advantage enjoyed by Western states in the face of China's military modernisation and the introduction of new equipment into Russia's armed forces. Essays included reflections on the future of maritime competition; battle management systems; China's civil-military integration; and fractures in the arms control environment. The wallchart provided an assessment of the global distribution of submarines and sub-surface warfare capabilities in national inventories.

The *Military Balance Plus* database combines multiple years of data and qualitative assessments from *The Military Balance* with advanced search and graphical capability. During 2021, data holdings in the database expanded further and the IISS added additional countries to its defence spending forecast tool. The 10-year spending projections included in *The Military Balance Plus* now cover more than 85% of global defence spending. The database represents a step change in defence analysis for the Institute and its core audiences in government, the military and the private sector.

The Institute's journal, *Survival: Global Politics and Strategy*, published six times per year, provides a platform for many of the leading thinkers in the field of international affairs to analyse and debate strategic questions. It included a piece by a distinguished American strategist on Europe's capacity to defend itself without the United States that stimulated vigorous debate, frank commentary on the 6 January insurrection in Washington, a widely read and authoritative article on Russia's 'SolarWinds' hack, a testily constructive exchange between liberal internationalists and 'restraint' realists, and candid views of the United States' withdrawal from Afghanistan. Also appearing were assessments of the 'global war on terror' 20 years after 9/11, a forum on the UN at 75, a piece on the Sino-American strategic rivalry's effect on transatlantic relations, an article on the future of US–Israel relations, and an analysis of UN operations in South Sudan.

The annual *Armed Conflict Survey* launched in September, featured analysis of 34 active armed conflicts, including the humanitarian, social and economic impacts. Covering January 2020 to February 2021, this year included the Armed Conflict Global Relevance Indicator (ACGRI), which is an IISS proprietary indicator assessing the global salience of armed conflict. There were also essays on interventions in armed conflicts and the waning of Western dominance; economic migration, forced displacement and armed conflict in a COVID-19 world; and the long aftermath of armed conflicts. The 2021 Chart of Armed Conflict provided a rich visual overview of factors such as conflict start dates, international interventions, 2020 UN Security Council resolutions, and other highly relevant data.

The *Adelphi* book series is the Institute's principal contribution to policy-relevant, original academic research. Two books were published this year. June saw the publication of *The Responsibility to Defend: Rethinking Germany's Strategic Culture*, by Bastian Giegerich, IISS Director of DMAP, and Maximillian Terhalle, which received high praise from members of the Germany's political community, staff within NATO and other think-tanks. The second *Adelphi* of the year, *Asia's New Geopolitics: Military Power and Regional Order* was launched at the end of September. Authored by five regional experts, this title looked at Asia in the context of three broad strategic trends: declining US willingness to underwrite Asia's security order, rising US–China tensions, and weakening Asian multilateralism.

The IISS published its annual assessment of regional security and strategy issues in the Asia Pacific region with the *Asia Pacific Regional Security Assessment 2021*. Twelve chapters covered a range of issues including urban security challenges, Japan's security policy and China, South Korea's security beyond the Peninsula and emerging technologies and future conflict in the Asia–Pacific.

As well as the regular publications, the IISS continued to release publications in various formats that are disseminated to governments, businesses, think tanks and important thought leaders. In addition to the well-received report *Cyber Capabilities and National Power: A Net Assessment*, the IISS published reports on Iran's missile capabilities and proliferation, the various impacts China is having

on its region and around the world, and *Emerging Challenges for European Security and Defence* produced following a meeting of the High-Level Study Group on the Future Defence of Europe, in conjunction with the Hanns Seidel Foundation.

Dialogues, Lecture Series and Conferences

The Institute's international dialogues bring government officials together in a combination of formats, and to address subjects, that they might not be able to coordinate themselves. Under the international auspices of the Institute, it is often easier to arrange for discreet contacts to take place between government officials who wish to meet, but to do so unofficially and away from the public eye. In addition, the Institute organises lecture series and specialist conferences around the globe.

1. The Shangri-La Dialogue

Initiated in 2002, the Annual Asia Security Summit (IISS Shangri-La Dialogue) is the most important regular gathering of defence professionals in the region. Governments, the expert community and the media have increasingly viewed the substance and tone of exchanges at the Dialogue as important indicators of the state of the region's security. The Shangri-La Dialogue provides a platform, which participant countries' defence ministers and other principals use to elaborate and clarify their countries' positions on the most important regional security topics of the day. The Dialogue has also been a venue for proposing and advancing defence initiatives and for multiple government bilateral and multilateral meetings which are held around the Dialogue.

As a result of the ongoing global COVID-19 pandemic situation the Shangri-La Dialogue, scheduled for 4-5 June 2021, was cancelled after close consultation with Singapore's Ministry of Defence. The Institute plans to convene an exceptionally strong IISS Shangri-La Dialogue in 2022, to be held on 10-12 June. The Shangri-La Dialogue will be staged in Singapore with the government's support until at least 2024.

2. The Manama Dialogue

Since its inception in 2004, the IISS Manama Dialogue has become a central element in the Middle East's security architecture, where national leaders and ministers from the Middle East, North America, Europe, Asia and Africa make major policy statements. Moreover, supported by senior officials, they are offered a bespoke occasion to consult bilaterally and multilaterally on the most pressing security and foreign-policy challenges.

Owing to the special circumstances necessitated by the COVID-19 pandemic, the 16th IISS Manama Dialogue was conducted as a hybrid event, with participants attending in person and online. The strict health and safety measures implemented by the government of Bahrain and the IISS ensured a safe environment for those who attended the proceedings in Manama.

The Dialogue was the only significant foreign-policy, defence and security conference held at the height of the pandemic in 2020 and succeeded in attracting an attendance comparable to previous years, while maintaining the standards of previous IISS summits. Participating officials were delighted to resume face-to-face diplomacy after months of social distancing and virtual interaction. Nearly 200 attendees, comprising 98 governmental and non-governmental delegates, and 92 government officials, from more than 20 countries participated in person, while several hundred delegates joined through a bespoke IISS online platform. Despite travel limitations, ten senior journalists representing major regional and global outlets attended, providing important coverage and scrutiny.

Notably, the 2020 Manama Dialogue hosted Israel's Minister of Foreign Affairs for the first time. Lieutenant General (Retd) Gabi Ashkenazi's attendance was testament to the remarkable diplomatic breakthrough achieved by Bahrain and Israel's signing of the Abraham Accords in September 2020.

The 2020 Manama Dialogue Young Leaders' Programme (MDYLP) again brought some of the Middle East's brightest young strategic thinkers and leaders to the IISS Manama Dialogue to involve them in high-level debate about the current strategic and security challenges facing the region.

3. Lecture Series

The Fullerton Lecture Series brings together major figures in Asia-Pacific and international affairs to speak in Singapore. Due to COVID-19 pandemic restrictions, the IISS was only able to hold one lecture in the last financial year. In July 2021, Lloyd J. Austin III, United States Secretary of Defense, made the case for the US' role as a reliable partner in helping nations in the Indo-Pacific make their own choices and 'build back better' after COVID-19 in his lecture on 'The imperative of partnership'.

Membership

The IISS retains a strong global membership base which comprises a broad spectrum of leading analysts, academics and military and government officials, and international companies. Members are actively connected to international and strategic affairs through the Institute's research programmes and have access to its opinion-shaping analysis through publications, events, member briefings and international conferences. Individual members are part of a unique global network supporting the work of the IISS and extending the Institute's reach in the world of international affairs, whilst IISS Corporate Membership is designed to enable corporations and institutions to stay on top of world events by giving them a thorough understanding of international affairs, security issues and geopolitical and military conflicts, and to aid their strategic decision-making. The Institute invites its membership to participate in events held in its offices as well as annual international conferences.

The Institute holds many discussion meetings each year at its London headquarters and overseas offices in Washington DC, Manama, Singapore and Berlin, featuring IISS and guest speakers. With the ongoing COVID-19 restrictions, the Institute continued to deliver a high number of webinars which have expanded its global audience. Events that attracted notable interest over the past year included:

The IISS officially opened its Berlin office in September with guests from governments, the private sector and expert community. Germany's Federal Minister of Defence Annegret Kamp-Karrenbauer shared her thoughts during the reception and members of the German Parliament Nils Schmid (SPD), Alexander Graf Lambsdorff (FDP) and Omid Nouripour (Alliance 90/ The Greens) discussed current challenges and opportunities for Germany's international security and defence strategy.

Hosted virtually in May by the IISS in association with the UK Naval Staff, the *First Sea Lord's Sea Power Conference* is the Royal Navy's flagship conference. The conference discussed the strategic challenges and opportunities in a rapidly transforming global maritime domain, and the maritime contribution to the UK's overall defence, security, foreign and development policy ambitions as the country reshapes its global role. These challenges and opportunities were addressed in light of the UK government's Integrated Review of Security, Defence, Development and Foreign Policy, the Defence Command Paper, and the Defence and Security Industrial Strategy. The UK Secretary of State for Defence, the Rt Hon Ben Wallace MP, delivered a keynote address.

On 30 March, UK Chief of the Defence Staff General Sir Nick Carter launched the *Defence Innovation Talks*, a new webinar series featuring military, government and business leaders who are driving innovation in defence. General Carter set out his views on UK military reform and defence innovation, explaining how a programme of experimentation will be the foundation upon which transformative future capabilities will be built.

In a January webinar '*The great decoupling: China, America and the struggle for technological supremacy*', Nigel Inkster, Senior Adviser for Cyber Security and China at the IISS and Commissioner on the Global Commission for the Stability of Cyberspace, explored how this situation has arisen and what are likely to be its geopolitical implications.

In December 2020, the IISS virtually hosted a discussion with Ambassador Kay Bailey Hutchison, Permanent Representative of the United States to the North Atlantic Treaty Organization (NATO), on *NATO's evolving relationship with China*. Ambassador Hutchison explored how NATO, as the world's longest standing security alliance, is uniquely placed to bring together like-minded countries to address the security challenges posed by China.

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

For the year ended 30th September 2021, total incoming resources were £18,396,000 (2020: £17,016,000). The primary reason for the higher income reported in 2021 was an increase in Dialogue income with the late cancellation of the Shangri-La Dialogue. Funded research events continued to be disrupted by COVID-19 pandemic restrictions and have either been converted into alternative project deliverables or rescheduled until next financial year.

Total resources expended for the year were £17,583,000, compared to £16,609,000 in 2020, which reflected the increased conference costs arising from the late cancellation of the Shangri-La Dialogue.

After accounting for net gains on investment assets of £1,196,000 (2020: £53,000 losses); foreign exchange losses of £70,000 (2020: £34,000); and actuarial gains on the defined benefit pension scheme of £149,000 (2020: £56,000 losses); the net movement in funds for the year was a surplus of £2,088,000 (2020: £264,000).

As at 30th September 2021, there was a liability on the defined benefit pension scheme of £556,000 (2020: £741,000). The IISS remains committed to reducing the pension liability through deficit funding plan payments of £48,000 per year.

Net cash inflow totalled £66,000 for the year (2020: £1,207,000 outflow), leaving total cash balances, including portfolio cash, of £6,213,000 at the year-end (2020: £6,147,000).

The group reported an improved net current asset position of £1,130,000 (2020: £748,000). Total net assets as at 30th September 2021 increased to £26,062,000 (2020: £23,974,000).

Reserves

'Free reserves' are defined as unrestricted funds excluding designated funds and funds represented by tangible fixed assets, other than those financed by external loans.

The Institute's reserves policy has been determined by the Trustees after considering current and projected income streams and the Institute's expenditure profile. To ensure that the Institute is able to successfully meet its objects, the Trustees aim to hold free reserves equivalent to between 3 and 6 months operating expenditure. This target level of reserves will mitigate the risk of income fluctuations causing delays or cancellations to any expenditure commitments and ensure that planned activities can be completed. Furthermore, in the event of a significant drop in income levels there will be sufficient reserves in place to implement any necessary organisational changes.

As at 30th September 2021, the Institute held free reserves of £6,218,000 (2020: £5,305,000) which equated to approximately 5.5 months (2020: 2 months) of operating expenditure associated with unrestricted funds. Free reserves comprise IISS unrestricted general funds of £19,716,000, less tangible and intangible fixed assets of £14,054,000 and excluding the pension liability of £556,000. At 30th September 2021, IISS restricted funds totalled £202,000 (2020: £71,000) and endowment funds totalled £6,144,000 (2020: £5,691,000). The Trustees continue to review the reserves policy in line with the Institute's financial resources.

Investment Policy and Performance

Cazenove Capital Management Ltd. manages the Institute's two investment portfolios. As at 30th September 2021, the market value of the main portfolio was £5,300,000 (2020: £4,629,000) and the asset allocation was: UK equity funds, 13% (2020: 13%); UK fixed-interest funds, 5% (2020: 7%); International fixed-interest funds, 6% (2020: 5%); International equity funds, 54% (2020: 46%); Portfolio funds 21% (2020: 28%) and Cash 1% (2020: 1%). Investment income for the year to 30th September 2021 from this portfolio amounted to £74,000 (2020: £84,000).

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The overall investment objective of the main portfolio is to maximise its total return by achieving several percentage points above inflation, in line with constraints over risk. Portfolio performance and asset allocation are closely monitored by the Investment Committee in conjunction with the portfolio managers. The Institute considers this portfolio to be a long-term investment fund and operational cash flow demands are met through operational surpluses. The Investment Committee has adopted a diversified asset allocation strategy in keeping with its appetite for moderate risk. At 30th September 2021, portfolio returns over the previous year, three years, and five years as compared to benchmark, which was recently agreed as 100% UK CPI +4%, and the FTSE All Share were as follows:

Total Returns	1 year %	3 years p.a. %	5 years p.a. %
Portfolio	14.5	5.9	6.2
Benchmark	7.1	5.9	6.3
FTSE All Share	27.8	3.0	5.3

The Institute's second portfolio is an expendable endowment fund, invested in a Charity Multi-Asset Fund (CMAF). The CMAF generates an annual pay-out of 4% and enables the Institute to drawdown the approved funds required to meet all costs associated with the Japan Chair research position. As at 30th September 2021, the market value of the Japan Endowment Fund was £6,134,000 (2020: £5,691,000) and the asset allocation was Charity Multi-Asset Fund (CMAF) 100% (2020: 100%), of which 71% was equities (2020: 68%).

The IISS and the Economic Climate

The Institute's Dialogue activities and publications are protected by multi-year agreements that provide guaranteed levels of income. As referenced above, the Institute has received expendable endowment funding in support of a Japan Chair providing guaranteed financial support for a senior research post.

The Institute's commercial trading subsidiary, Arundel House Enterprises Limited (AHEL), experienced difficult commercial trading conditions due to ongoing COVID-19 restrictions but minimised any losses on its catering and event activities with a low fixed cost base.

Despite the continued financial and currency market instability arising from the COVID-19 pandemic and political events such as Brexit, the IISS investment portfolio benefited from a strong rebound in equity market performance during 2021. The Investment Committee continues to monitor closely its diverse portfolio of investment funds that includes non-sterling denominated exposure in equities and bonds.

The Institute naturally hedges its foreign currency transactions, minimising conversion as far as possible to avoid exchange rate losses. The IISS continues to benefit from consistently low interest rates which determine the cost of borrowing for the Institute's short-term money market funding.

Financial health

As outlined in the Financial Review, the Trustees consider the Institute's financial health to be sound. As at 30th September 2021, the Institute held investment assets totalling £11.4 million and cash on the balance sheet of £6.2m with no loan liabilities, compared to investment assets of £5.5 million, £1.5m of cash and a building loan liability of £5.5 million in 2011, demonstrating a clear strengthening in the Institute's financial position over the past 10 years.

As a result of the income security provided by the diverse revenue sources and multi-year funding arrangements outlined above, and in considering budgets and forecasts covering the period to 30th September 2024, the Trustees are confident that the Institute can be considered a going concern for the foreseeable future. Accordingly, there are no material uncertainties surrounding the preparation of the financial statements on a going concern basis. The global nature of IISS operations and funding sources has also contributed towards further income diversity that has helped to mitigate risk during this time of continued economic uncertainty.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the Institute and are satisfied that systems are in place to manage exposure to the major risks. The measures to mitigate against the continued impact of the COVID-19 pandemic on IISS activities and finances are detailed below. The Trustees are satisfied that, as a result of the Institute's response to the pandemic, there has not been any material financial loss arising from COVID-19 and the risk of such a loss in 2022 is low.

The most significant potential risks, as identified by the Institute's Risk Register, are actively managed in the following manner:

Damage to the Institute's reputation	As reiterated in the Institute's 'Statement of Values' and 'Policy on financial transparency confidentiality and effectiveness', the IISS firmly states and demonstrates its commitment to independence and excellence when conducting all activities, with staff training in place to ensure awareness and understanding of the Institute's policy. Trustees have oversight over potential donors and funding sources. Despite ongoing COVID-19 restrictions, IISS has continued to meet contractual obligations and funder expectations by successfully converting activities into hybrid and virtual events or agreeing alternative deliverables.
A material weakening in the Institute's financial position and funding levels	Continued efforts to diversify revenue streams to ensure no over-reliance on one source of income. Multi-year agreements are in place for key funders. Liquidity and foreign exchange positions are monitored regularly through weekly cash flow forecasts and external currency specialists. A well-diversified investment portfolio mitigates risk in the event of poor performance of any one asset class. A three-year forecasting and response-planning model is updated regularly and monitored by the Trustees. As above, adaptation of activities to ensure contractual and funder obligations are met.
A major failure of the Institute's IT systems caused by internal or external factors	Principal systems, architecture and software (including cloud servers, fail-over, disaster recovery, and protective programmes) have been designed drawing on external professional advice to provide best practice stability and security. In recognition of the increasing cyber threat, additional security measures have been introduced to detect and counter attacks.
Failure to maintain the existing high level of Institute staff expertise	Retention measures in place include competitive pay, benefits and working conditions. The competency framework ensures well-structured performance and development reviews. Consulting Fellows and membership base are drawn on when in-house expertise is not available. Adapted working practices enable staff to work from home and COVID-19 safety measures across all offices.

In addition to the review of the risk register by senior management, the Audit Committee and the Trustees, financial performance is evaluated at the Trustee meetings held four times each year. The Institute's investments and financial resources are monitored by the Investment Committee, which meets four times a year. Ongoing internal controls over these risks, as well as measures to mitigate exposures and financial loss, are exercised on a daily basis by the Institute's Directing staff.

FUTURE PLANS

Looking ahead, the IISS remains focused on its mission to shape and enable strategic discussion and inter-governmental dialogue, and to provide impartial analysis on major international security issues as a means of informing the public debate and assisting conflict resolution and prevention. The Institute will continue to fulfil this mission through its primary activities of research, dialogues, conferences, lectures, publications, online databases and outreach to governments, the private sector

and the expert and opinion-forming communities. The main objectives for the forthcoming year ending 30th September 2022 are:

- **Research** – the Institute will continue to produce new research and analysis under the rubrics of War, Power and Rules. Under War, the IISS will address the changing shape of conflict, cyber and space warfare, and the security-development nexus, as well as refining the state of the art of defence economics and conflict monitoring. The Power stream will include geo-economics and strategy, the strategic consequences of China's Belt and Road Initiative, economic and financial sanctions in a multipolar system, changing regional alliances, and the use of influence networks by challenger states such as Iran, Turkey, China, and Russia. The Rules stream will address the changing nature of international law and the requirement to continue to modernise the 'rules-based order'. It will also consider arms control and non-proliferation in the fields of AI, robotics and unmanned vehicles, and international action to combat and mitigate the effects of climate change, as well as how technical standards and commercial regulations are increasingly wielded as instruments of international statecraft.
- **Digital content** - In 2022 the IISS will aim to continue to grow its *Military Balance Plus* customers in government, the private sector, and the analytical community in order to generate a strong revenue stream to support IISS research and the Institute's overall mission. Additionally, the Institute will continue to develop other forms of digital content, such as interactive maps, as alternative means to present the Institute's research and analysis and engage more widely with IISS stakeholders.
- **Overseas offices** – Investment in its international offices and staff remains a priority to ensure that all research activity is infused with both local and regional expertise yet blended with an international perspective, while also reaching the widest possible audience and engaging a new generation of young analysts internationally. During next year, the priority will be to deepen IISS engagement with European powers, expand the IISS analytical footprint in Berlin through the new IISS Europe office, and diversify the funding base of the IISS across all regions.
- **Fundraising** – During 2022, the Institute will continue in its efforts to identify opportunities for major annual gifts or for the establishment of expendable research endowments at the IISS to support pertinent research positions.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Institute is governed by Articles of Association lodged with the Registrar of Companies and the Charity Commission for England and Wales.

The Institute's Articles of Association reflect current best practices and the requirements of the Companies Act 2006 and recognise the fiduciary responsibilities carried by the Institute's Trustees. Revised Articles of Association were formally lodged with the Charity Commission on 2nd May 2019.

The Trustees constitute Directors for the purposes of the Companies Act, and act as Trustees for the purposes of the Charities Act. As required by the Articles of Association, all are Members of the Institute. They receive no remuneration for their services. Upon appointment new Trustees are provided with an induction pack, which includes copies of the Institute's governing documents as well as information about the Institute's activities and finances. Training is available for all Trustees at any time as required.

In accordance with the Articles of Association, a Trustee can be elected by ordinary resolution or by a decision of the Trustees. A new Trustee may be proposed and considered for election by the existing Trustees. The Trustees delegate the exercise of certain powers in connection with the administration of the Institute as set out below.

The Trustees are aware of the Charity Governance Code published in 2020 which sets out the principles and recommended practice for good governance within the sector. The Institute has

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2021

reviewed its current governance arrangements against the principles within the code and addressed any issues raised where required.

Audit Committee

The task of monitoring the Institute's financial control systems and the management of major risk is delegated to the IISS Audit Committee. The current membership of the Audit Committee is:

Chris Jones (Chair of Committee & Honorary Treasurer)
Catherine Roe
Jens Tholstrup
Matt Symonds

Investment Committee

The IISS Investment Committee is empowered to receive advice from the Investment Managers and to vary the investment policy at any time. The current membership of the Investment Committee is:

Chris Jones (Chairman of Committee & Honorary Treasurer)
Grace Skaugen
Jens Tholstrup
Matt Symonds

Trustee Remuneration and Employment Committee

The IISS Remuneration Committee is responsible for the annual review of the Director-General and Chief Executive's remuneration package, with oversight of the Institute's overall human resources policies. The current membership of the Remuneration Committee is:

Bill Emmott (Chair of Committee and Chair of the IISS Trustees)
Chris Jones (Honorary Treasurer)
Caroline Atkinson

Nominations Committee

The IISS Nominations Committee is responsible for proposing new Trustees to the Board. The current membership of the Nominations Committee is:

Bill Emmott (Chair of Committee and Chair of the IISS Trustees)
Catherine Roe
Matthew Symonds

Donation Acceptance Committee

The IISS Donation Acceptance Committee was formed in 2018 to assist the Trustees in fulfilling their responsibilities for the financial health, ethical standards, and global reputation of the IISS when considering the acceptance of philanthropic donations. The Committee was disbanded in January 2021 when it was agreed that the review of philanthropic donations should be aligned with existing review processes for all other IISS funding sources and would fall to all Trustee members.

Director-General and Chief Executive

The Director-General and Chief Executive is responsible for the day-to-day management of the Institute's affairs and for implementing policies agreed by the Trustees. The Director-General and Chief Executive is assisted by senior management.

Remuneration Policy

The IISS's remuneration policy and practices reflect the Institute's objectives of good governance combined with the need to attract and retain the best talent internationally. This policy aims to support the sustained growth and development of the Institute and its employees and to ensure that the Institute is able effectively to carry out its mission to provide objective information and analysis on geopolitical change as well as facilitate conflict resolution and the maintenance of international peace and security.

The Institute's Staff Remuneration Committee, which consists of the Director-General and Chief Executive; the Director of Finance; and the Director of Human Resources, carries out an annual salary review with increases awarded for individual performance linked to a 'competency framework'. This review incorporates IISS key management personnel, with the exception of the Director-General and Chief Executive. Salaries are positioned between the upper end of the charitable sector and middle of the corporate sector to ensure the Institute can compete globally in recruiting and retaining talent from the private sector, governments, and the international expert community. A review of market rates with reference to available salary surveys is undertaken regularly.

As referenced above, the IISS Trustee Remuneration and Employment Committee annually reviews the remuneration package of the Director-General and Chief Executive and the Institute's overall human resources policies, including salary rates and staff benefits. Remuneration packages may consist of fixed elements such as salary, pension, life assurance and private medical insurance; and a variable element of a discretionary performance-based bonus payment. Employee benefits are reviewed annually.

The Trustees are invited to approve annually the staffing and salary budget and forecast for the year. This includes senior management. No Trustees are remunerated but travel expenses are reimbursed.

Public Benefit

The Trustees have given due consideration to the Charity's Commission's published guidance on the Public Benefit Requirement under the Charities Act 2011.

The beneficiaries of the Institute include individuals and organisations within the political, diplomatic, defence and academic fields, the public in general, international agencies and governments worldwide. The interests and concerns of these groups are constantly evolving, and the charity's development is influenced by the need to continue to address their current interests and concerns. As clearly evidenced in this report, the Institute has successfully reached these audiences during the year under review.

In the UK, the Institute's staff have regularly provided facts and evidence-based analysis on geo-strategic and geo-economic trends to key members of the expert media, parliamentarians, civil servants and ministers. Internationally, the Institute has provided unique defence diplomatic platforms in the Middle East and Asia that have facilitated high level consultations on defence issues and conflict resolution that has also engaged Europeans and North Americans. It has published evidence-based research that numerous governments have found added value to their internal assessments. The Institute has also briefed various inter-governmental organisations, including NATO and the EU, on important issues of public policy. It continues to put into the public domain the best available information on a wide range of international issues to ensure a more informed public debate.

Group Structure

IISS Middle East

The IISS Middle East branch office in Manama, Bahrain was established as a base for the Institute's many research programmes and activities throughout the region and serves to connect IISS activities in Europe, North America and Asia with those in the Middle East. Since its foundation in May 2010,

The International Institute for Strategic Studies

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the office has built a strong cohort of experts and administrative staff who work closely with the entire IISS global network to provide not just first-class information and analysis on Middle East and broader international strategic issues, but also strengthen links between the strategic community in the Middle East and those in other parts of the world.

Since 2004 the IISS has held annually the IISS Regional Security Summit: The Manama Dialogue in Bahrain. Full details of the Dialogue can be found on page 7.

The International Institute for Strategic Studies – US (IISS-Americas)

IISS-Americas is a branch of the IISS located in Washington DC. During the year, IISS-Americas continued its efforts to engage and expand the IISS membership base in the region, promote IISS activities and research to a North American audience of government leaders and policy shapers, and cultivate relationships with US policy makers to ensure strong US representation at the dialogues. Despite the continuing pandemic, IISS-Americas held several well-attended webinars on a diverse set of topics, including a very successful Ambassador's Forum series. During the summer, as conditions eased, the office resumed live events with limited attendee numbers and developed the capacity to hold hybrid events to continue outreach to a global audience. This has served to reinforce the reputation of IISS-Americas as representing a vibrant, international, intellectual community.

Arundel House Enterprises Limited (AHEL)

AHEL is a wholly owned trading company with revenue arising from the letting of facilities and provision of event catering at Arundel House and the provision of Consultancy services. The company reported a profit for the year of £69,000 before gift aid (2020: £430 loss).

The International Institute for Strategic Studies (Asia) Limited (IISS-Asia) and the Strategic Studies Fund (SSF)

IISS-Asia is a company limited by guarantee registered in Singapore. In January 2021, IISS-Asia again convened the IISS Fullerton Forum: Shangri-La Dialogue Sherpa Meeting, an important inter-sessional activity of the Shangri-La Dialogue process. As detailed on pages 6-7, the Shangri-La Dialogue was unfortunately cancelled this year due to the COVID-19 pandemic. IISS-Asia was able to host one major Fullerton Lecture, however, with US Defence Secretary Lloyd Austin.

Despite the pandemic restrictions, IISS-Asia continued most of its other activities as normal. Notably, IISS-Asia research staff edited the annual *Asia-Pacific Regional Security Assessment* and organised and participated in IISS webinars on Asia-Pacific security. IISS-Asia also took the lead in recruiting and servicing IISS corporate and individual members in Singapore and the wider Asia-Pacific region.

The SSF is a trust fund established in Singapore for the purpose of raising funds to be applied in Singapore towards activities relevant to the objectives of the Institute and of benefit to the Singapore community. The results for IISS-Asia and the SSF are consolidated on the basis that the Institute holds a majority of the voting rights in IISS-Asia and has ultimate discretion over the disbursement of SSF funds and over its activities.

IISS India Organisation – (IISS-India)

IISS-India is a non-profit subsidiary of IISS with its registered office in New Delhi. It was established in August 2014 to assist in the expansion of IISS activities and reach in India and the South Asia region.

IISS Europe gemeinnützige GmbH (IISS-Europe)

On 4th November 2019, IISS-Europe was incorporated as a non-profit subsidiary of IISS with its registered office in Berlin, established to deepen IISS engagement with European powers, expand its analytical footprint in Germany and play an active part in shaping the security and defence debate in Germany and the EU. During 2021, the IISS-Europe office presence was expanded to include

research and operational staff in support of a broad five-year research programme on 'Power shifts and the evolving international order: Strategic challenges for Germany and Europe'.

Statement of Trustees' Responsibilities

The Trustees (who are also directors of The International Institute for Strategic Studies for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and accounting standards (FRS102).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Trustees at the date of this report is aware, there is no relevant audit information of which the charity's auditor is unaware. Each Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

Corporate Governance

Processes are in place to ensure that performance is monitored and that appropriate management information is prepared and reviewed regularly by both the executive management and the Trustees.

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- an annual budget approved by the Trustees;
- regular consideration by the Trustees of both financial and non-financial results; and
- delegation of day-to-day management authority and segregation of duties.

Auditors

Crowe U.K. LLP has indicated its willingness to be reappointed as statutory auditor.

The Strategic Report and Report of the Trustees was approved by the Trustees in their capacity as Company Directors on 22 February 2022 and signed on their behalf by:



Bill Emmott
Chair of the Trustees

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2021

REFERENCE AND ADMINISTRATIVE DETAILS

The International Institute for Strategic Studies, also known as the IISS, is a registered charity and a company limited by guarantee. The liability of each Board of Trustees member under the guarantee does not exceed the sum of £1.

Registered Office Arundel House
6 Temple Place
London
WC2R 2PG

Company Number 615259

Charity Number 206504

Trustees

Chair Bill Emmott

Vice-Chair Chung Min Lee

Hon Treasurer Chris Jones

Professor Dr Kurt Lauk
Jens Tholstrup
Catherine Roe
Matt Symonds
Matthew J Symonds
Caroline Atkinson
Dr Grace Skaugen

During the year under review, there were no Trustee changes.

For clarification purposes, there are two Trustees with the name Matthew (Matt) J Symonds.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2021

Executive Directing Staff

***Director-General and Chief Executive
Director of Geo-Economics; Japan Chair
Director of Defence and Military Analysis
Director of Finance
Director of Operations
Director of HR
Executive Director, IISS-Asia***

Dr John Chipman
Dr Robert Ward
Dr Bastian Giegerich
Sally Taylor
Dr John Hobart
Jane Graham
Dr Tim Huxley (resigned 23rd April 2021); James
Crabtree (appointed 24th April 2021)
Sir Thomas Beckett
Ernest J Herold
Dr Ben Schreer (appointed 19th July 2021)

***Executive Director, IISS-Middle East
Executive Director, IISS-Americas
Executive Director, IISS-Europe***

Agents and Advisers

Legal Advisers

Stone King Sewell LLP,
13 Queen Square, Bath BA1 2HJ

Bankers

HSBC Bank plc, 60 Queen Victoria Street,
London EC4N 4TR

Investment Managers

Cazenove Capital Management (part of Schroder &
Co. Limited),
12 Moorgate, London EC2R 6DA

Pension Fund Managers

Mobius Life,
7th Floor, 20 Gresham Street, London EC2V 7JE

Pension Consultants

Mercer (formerly JLT Benefit Solutions),
The St Botolph Building, 138 Houndsditch, London
EC3A 7AW

Auditors

Crowe U.K. LLP, 2nd Floor,
55 Ludgate Hill, London EC4M 7JW

Independent Auditor's Report to the Members of The International Institute for Strategic Studies

Opinion

We have audited the financial statements of The International Institute for Strategic Studies ('the charitable company') and its subsidiary ('the group') for the year ended 30 September 2021 which comprise the Consolidated Statement of Financial Activities, Consolidated and Charity Balance Sheets, Consolidated Cash Flow Statement and notes to the financial statements, including 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 the charitable company's affairs as at 30 September 2021 and of the group's income and receipts of endowments and expenditure, 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 Companies Act 2006.

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 in accordance with the ethical requirements that are 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 relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the Trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) 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 charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of noncompliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities,

whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, taxation legislation, employment legislation and general data protection legislation, together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's and group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity and the group for fraud. The laws and regulations we considered in this context for the UK operations were taxation legislation, employment legislation and General Data Protection Regulation (GDPR). We also considered compliance with local legislation for the group's overseas operating segments.

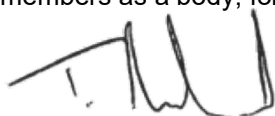
Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing surrounding recognition income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Tim Redwood
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor

London

16 March 2022

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2021

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating an income and expenditure account)

Year ended 30th September

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2021 £'000	Total Funds 2020 £'000
Income from:						
<i>Donations</i>	2	2,812	-	-	2,812	2,941
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	3	7,362	-	-	7,362	5,880
Research programmes	3	1,007	3,858	-	4,865	4,479
Publications		1,319	-	-	1,319	1,445
Membership		1,450	-	-	1,450	1,593
<i>Other trading activities</i>		268	-	-	268	396
<i>Investments</i>		74	221	-	295	257
<i>Capital applied to income</i>			131	(131)	-	-
<i>Other income</i>		25	-	-	25	25
Total		14,317	4,210	(131)	18,396	17,016
Expenditure on:						
<i>Raising funds</i>		153	-	-	153	138
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	4	6,034	-	-	6,034	4,884
Research programmes	4	3,654	4,079	-	7,733	7,804
Publications	4	2,994	-	-	2,994	2,823
Membership	4	471	-	-	471	564
<i>Other trading activities</i>		198	-	-	198	396
Total		13,504	4,079	-	17,583	16,609
Net (losses)/ gains on investments	17	612	-	584	1,196	(53)
Net income/ (expenditure)		1,425	131	453	2,009	354
Transfers between funds	12	-	-	-	-	-
Other recognised gains/(losses):						
Foreign exchange (losses)/ gains		(70)	-	-	(70)	(34)
Actuarial (losses) on defined benefit pension schemes	14	149	-	-	149	(56)
Net movement in funds		1,504	131	453	2,088	264
Funds brought forward at 1 October 2020	12	18,212	71	5,691	23,974	23,710
Funds carried forward at 30 September 2021	12,13	19,716	202	6,144	26,062	23,974

All amounts relate to continuing operations and, as all gains and losses are included, a separate statement of total recognised gains and losses has not been presented.

The notes on pages 26 to 47 form part of these accounts

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2021

CONSOLIDATED BALANCE SHEET (Company Number 615259)

As at 30th September

	Notes	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	6	230	423
Tangible assets	7	13,774	13,225
Investments	8	11,434	10,319
Total Fixed assets		25,438	23,967
Current assets:			
Debtors	9	3,060	2,170
Cash at bank and in hand		6,178	6,098
Total Current assets		9,238	8,268
Liabilities:			
Creditors: Amounts falling due within one year	10	(8,058)	(7,520)
Net current assets / (liabilities)		1,180	748
Total assets less current liabilities		26,618	24,715
Net assets excluding pension liability		26,618	24,715
Defined benefit pension liability	14	(556)	(741)
Total net assets	13	26,062	23,974
The Funds of the charity			
Expendable endowment funds	12	6,144	5,691
Restricted income funds	12	202	71
Unrestricted income funds	12	20,272	18,953
Pensions reserve	12	(556)	(741)
Total unrestricted funds	13	19,716	18,212
Total charity funds	13	26,062	23,974

The consolidated balance sheet includes the assets, liabilities and funds of The International Institute for Strategic Studies (Asia) Limited, Arundel House Enterprises Limited, IISS India Organisation, IISS Europe gemeinnützige GmbH, and the Strategic Studies Fund.

The accounts were approved and authorised for issue by the Trustees on 22 February 2022 and signed on their behalf by:



Bill Emmott
Chair of the Trustees

The notes on pages 26 to 47 form part of these accounts

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2021

CHARITY BALANCE SHEET (Company Number 615259)

As at 30th September

	Notes	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	6	230	423
Tangible assets	7	13,284	13,184
Investments	8	11,434	10,319
Total Fixed assets		24,948	23,926
Current assets:			
Debtors	9	3,039	1,530
Cash at bank and in hand		1,424	2,895
Total Current assets:		4,463	4,425
Liabilities			
Creditors: amounts falling due within one year	10	(5,436)	(4,807)
Net current liabilities		(973)	(382)
Total assets less current liabilities		23,975	23,544
Net assets excluding pension liability		23,975	23,544
Defined benefit pension liability	14	(556)	(741)
Total net assets		23,419	22,803
The Funds of the charity			
Expendable endowment funds	12	6,144	5,691
Restricted income funds	12	84	75
Unrestricted funds	12	17,747	17,778
Pensions reserve	12	(556)	(741)
Total unrestricted funds	13	17,191	17,037
Total funds including pensions reserve	13	23,419	22,803

The unconsolidated surplus incurred by the Charity in 2021 was £498,000 (2020: deficit of £326,000)

The accounts were approved and authorised for issue by the Trustees on 22 February 2022 and signed on their behalf by:



Bill Emmott
Chair of the Trustees

The notes on pages 26 to 47 form part of these accounts

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30th September

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Cash flows from operating activities:					
Net cash (used in) / provided by operating activities	17		904		2,188
Cash flows from investing activities:					
Dividends, interest and rents from investments		295		257	
Purchase of property, plant and equipment		(1,111)		(577)	
Proceeds from sales of property, plant and equipment		-		-	
Purchase of software and website costs		(89)		(222)	
Purchase of investments		(2,028)		(3,404)	
Proceeds from sales of investments		2,098		551	
Net cash (used in) provided by investing activities			(835)		(3,395)
Cash flows from financing activities:					
Draw down of money market facility		150		-	
Net cash provided by (used in) financing activities			150		-
Change in cash and cash equivalents in the year			219		(1,207)
Cash and cash equivalents at the beginning of the reporting period			6,147		7,354
Cash and cash equivalents at the end of the reporting period	18		6,366		6,147

The notes on pages 26 to 47 form part of these accounts

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Status

The Institute is a registered charity and a company limited by guarantee, incorporated in England and Wales. Its registered office address is Arundel House, 6 Temple Place, London WC2R 2PG. The Trustees constitute Directors for the purposes of the Companies Act and act as Trustees for the purposes of the Charities Act. The charity is a Public Benefit Entity.

b) Accounting convention

The accounts of the Charity and the Group have been prepared under the historical cost convention as modified by the revaluation of investments and in accordance with FRS102. The accounts are prepared in accordance with the Companies Act, and the current Statement of Recommended Practice: 'Accounting and Reporting by Charities' (SORP). The functional and reporting currency of the Group is GBP.

Basis of consolidation

The accounts include the assets, liabilities and funds, and the statement of financial activities of the charity and its subsidiary undertakings. Subsidiaries' activities are consolidated on a line by line basis. A separate statement of financial activities has not been prepared for the Charity alone as permitted by Section 408 of the Companies Act 2006.

Going concern

After making enquiries, the Trustees have reasonable expectation that the charity has adequate resources to continue its activities for the foreseeable future, and are satisfied that there are no material uncertainties surrounding the ability of the group to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the financial statements as outlined in the Trustees' Report above.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in this note, trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

Significant areas of estimate and judgement include provisions, income recognition, and assumptions used to value the defined benefit pension scheme and the remaining useful life of assets. Related accounting policies for these items are noted below. The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the presentation of the financial statements are as follows:

c) Investments

All investments are valued at their mid-market value at the balance sheet date, which gives rise to unrealised gains and losses. The differences between the carrying value (or cost if acquired during the year) and the proceeds of liquidated investments are identified as realised investment gains or losses. Realised and unrealised gains and losses are presented net in the Statement of Financial Activities.

Investment income and related tax credits are accounted for when received.

d) Restricted funds

Restricted funds are funds subject to specific restrictive conditions imposed by donors or by the purpose of the funds raised.

e) Expendable Endowment funds

The expendable endowment fund is treated as capital until the right to transfer funds to income and expend in accordance with the donor conditions has been granted.

f) Tangible fixed assets and depreciation

Furniture, fittings and equipment acquisitions are stated at cost. Freehold buildings are stated at cost. Depreciation is charged when assets are brought into use. The following depreciation policies are applied consistently across the group over the useful economic lives of the assets on a straight line basis:

- i) Computers, printers and other electronic equipment with functional unit costs in excess of £1,000 are depreciated over a period of three years.
- ii) Furniture, fittings and equipment of a non-electronic nature with unit costs in excess of £250 are depreciated over a period of five years.
- iii) Plant and machinery items with unit costs in excess of £1,000 are depreciated over a period of ten years.
- iv) Leasehold improvements with unit costs in excess of £1,000 are depreciated over the life of the lease.
- v) Freehold Building improvements with unit costs in excess of £1,000 are depreciated over a period of fifteen years.
- vi) Freehold building depreciation is charged at 1% using the straight line basis.

No depreciation is charged on freehold land or on assets in the course of construction.

g) Intangible fixed assets and amortisation

Website costs and software acquisitions are stated at cost. Amortisation is charged when assets are brought into use. The following amortisation policy is applied consistently across the group:

- i) Software and website costs in excess of £1,000 are depreciated over their useful economic lives on a straight line basis over a period of three years.

No amortisation is charged on assets in the course of development.

h) Debtors

Debtors are stated in the balance sheet at estimated net realisable value, being the invoiced amount less any provision for bad and doubtful debtors. Provisions are made specifically against debtors where there is evidence of a dispute or an inability to pay. An additional provision is made against older balances.

i) Cash at bank and in hand

Cash includes cash-in-hand, cash-at-bank and bank overdrafts. Bank loans are included within Creditors.

j) Creditors

Trade and other creditors: Trade and other creditors are stated at cost.

k) Foreign currency

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

Foreign currency subsidiaries are translated into UK£ Sterling on the following basis:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at average exchange rates for the financial year; and
- all resulting exchange differences are taken to the Statement of Financial Activities.

l) Publications and membership income

Publications revenue advanced to the Institute under agreement with the publishers is recognised during the financial year in which the sale arises. An estimate of additional royalty income due up to 30 September 2020, to be received in early 2021, has been made in these financial statements.

Membership income is recognised on the subscription period start date. Any income invoiced in advance of the subscription period start date is deferred and recognised in the relevant accounting year.

m) Grants

Research grants are credited to the Statement of Financial Activities in accordance with the progress and performance of the grant programme activities. Income for Dialogues is recognised to the extent that the event has been planned and progress work completed in line with the contract.

When donors specify that grants are for particular restricted purposes, this income is included in incoming resources of restricted funds.

n) Deferred income

Income is deferred to future periods where the donor has placed an external restriction that the income should be used in those future periods or where the Institute has not fully earned entitlement to that income.

o) Expenditure

Expenditure is classified under the principal categories of Raising Funds, Charitable Activities, Commercial Activities Operating Expenditure and Financing Costs.

Charitable activities costs comprise all expenditure directly related to the objects of the Institute including direct staff costs attributable to each activity, together with a corresponding apportionment of central support costs.

Support costs are apportioned to charitable activities by a method based on the average headcount of employees allocated to each activity for the financial year.

Knowledge and Information expenses are included within support costs.

Financing Costs comprise those costs directly attributable to investment managers' fees/commissions and borrowing costs incurred in relation to financing.

Raising Funds comprise those costs directly attributable to fundraising activities.

Other Trading Activities Operating Expenditure comprise all costs incurred by Arundel House Enterprises Limited in delivering its catering, event and consultancy activities.

Expenditure is accounted for on an accruals basis.

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Annual Report and Financial Statements for the year ended 30th September 2021

p) Leasing

Rental costs under operating leases are charged to the Statement of Financial Activities in equal amounts over the period of the leases.

q) Pension costs

The Institute maintains a contributory defined benefit pension scheme which was closed to new entrants in 2001. The assets of the scheme are held separately from those of the Institute being invested in managed funds. The pension scheme is accounted for in accordance with FRS102 Retirement Benefits.

The Institute has defined contribution pension schemes which are open to all employees and also contributes to the personal pensions of some employees. Contributions to the scheme are accounted for when payable. Further details of all pension schemes can be found in Note 14.

r) Redundancy and termination payments

Redundancy and termination payments only occur when absolutely necessary as the Institute seeks to minimise organisational change. When redundancy or termination payments do arise, they are charged on an accruals basis and included with Staff Costs.

s) Knowledge and Information Services

The Knowledge and Information Services (formerly the Library) holds a comprehensive collection of books, journals, pamphlets and online resources covering a broad range of current international relations, security and defence topics. The collection is regularly updated for continued use by IISS research staff. New publications are expensed through the SoFA and the library does not hold any valuable publications which may require inclusion on the Balance Sheet.

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2 Donations

	2021 £'000	2020 £'000
Donation in support of the IISS-Middle East office and related research activities	2,713	2,911
Other	99	30
	2,812	2,941

3 i) Dialogues, conferences and lecture series

	2021 £'000	2020 £'000
Manama Dialogue	3,699	3,943
Shangri-La Dialogue	3,506	1,899
Riyadh Defense Forum	121	-
Lecture series	36	38
	7,362	5,880

Funding for dialogues, conferences and lecture series received during the year from UK and international Governments totalled £7,251,000 (2020: £5,568,000).

3 ii) Research programmes

	2021 £'000	2020 £'000
South Asia	601	828
Strategy, Technology and Arms Control (formerly Non-Proliferation and Nuclear Policy)	361	416
Europe	167	-
US Foreign policy and transatlantic affairs	168	-
Defence & Military Analysis	1,078	897
Conflict, Security & Development Programme	50	159
Geo-Economics & Energy Security	462	358
Middle East and the Gulf	253	68
Asia-Pacific	1,014	998
Cyber, Space and Future Conflict	630	549
Japan Chair Programme	73	58
Other Research Programmes	8	148
	4,865	4,479

Funding for research projects received during the year from UK and international Governments totalled £3,637,000 (2020: £2,734,000)

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4 i) Analysis of expenditure - charitable activities and governance

Group

	Staff costs £'000	Other direct costs £'000	Depreciation charges £'000	Exchange (gains) /losses £'000	Allocation of support costs £'000	Total 2021 £'000	Total 2020 £'000
Charitable activities							
<i>Primary costs</i>							
Dialogues and conferences	1,530	3,139	-	-	1,365	6,034	4,884
Research programmes	3,786	1,243	7	-	2,698	7,734	7,804
Publications	1,413	164	57	-	1,359	2,993	2,823
Membership	233	10	-	3	224	470	564
<i>Support costs</i>							
Support operations	3,649	1,282	747	(32)	(5,646)	-	-
Total 2021	10,611	5,838	811	(29)	-	17,231	16,075
Total 2020	9,608	5,666	794	7	-		16,075

The above table analyses by expense category the costs related to the charitable activities and the governance of the Institute. Charitable activities costs include both primary costs, which are directly attributable to specific charitable activities, and centrally incurred support costs. The total support costs are then apportioned across the specific activities in accordance with the average headcount of employees allocated to each activity for the financial year. Costs relating to commercial activities are not included in the above table.

Included in support costs for 2020 are governance costs of £77,000 (2020: £76,000). Governance costs include staff costs, trustee travel to board meetings and audit fees.

Staff costs include amounts paid to consulting fellows and other consulting associates not on the payroll, so will be higher than salaries and wages costs included in Note 5.

4 ii) Net Income/ Expenditure

	2021 £'000	2020 £'000
Net income/ expenditure is stated after charging:		
Depreciation	547	425
Amortisation	281	372
Auditors' remuneration		
- Audit fees	28	26
- Tax advisory and other services	19	19
Operating leases		
- Land and buildings	821	806
Trustees' professional indemnity insurance	11	11

5 Staff costs

	2021 £'000	2020 £'000
Wages and salaries	8,427	7,536
Social security costs	810	705
Employers' contribution to defined contribution pension schemes	417	416
Operating costs of defined benefit pension schemes (excluding finance costs)	33	32
Other forms of employee benefits	565	435
	10,251	9,124

Costs of Consulting Fellows and other sub-contractors totalling £634,000 (2020: £718,000) are not included in the figures above.

Wages and salaries include £2,781,000 (2020: £2,071,000) in respect of restricted grant funded staff salaries.

Remuneration of key management personnel totalled £2,333,000 during the year (2020: £2,088,000).

Redundancy payments of £7,000 were paid during the year (2020: £2,000).

The average number of employees (headcount) during the year

	No.	No.
Dialogues and conferences	13	12
Research programmes	45	41
Publications	29	26
Commercial Activities	2	2
Membership	5	6
Support	47	46
	141	133

Number of employees whose emoluments were over £60,000

	No.	No.
£640,001 to £650,001	1	-
£610,001 to £620,000	-	1
£210,001 to £220,000	1	1
£190,001 to £200,000	2	1
£180,001 to £190,000	1	
£150,001 to £160,000	1	2
£130,001 to £140,000	3	2
£120,001 to £130,000	4	1
£110,001 to £120,000	4	5
£100,001 to £110,000	4	3
£90,001 to £100,000	2	1
£80,001 to £90,000	8	8
£70,001 to £80,000	2	3
£60,001 to £70,000	7	6
	40	34

None of the above employees (2020: none) are accruing retirement benefits under the defined benefit scheme.

33 of the above employees (2020: 28) are accruing retirement benefits under money purchase schemes, and contributions on their behalf amounted to £259,000 (2020: £239,000).

For staff who are directly attributable to specific charitable activities (including both restricted and unrestricted funds), the pension costs are allocated on the same apportionment basis as their staff time/salaries. Support staff pension costs are apportioned on a headcount basis, outlined in note 4.i.

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Annual Report and Financial Statements for the year ended 30th September 2021

6 Intangible fixed assets

Group	Software and Website costs £'000	Total £'000
Cost		
At 1 October 2020	2,191	2,191
Exchange differences on consolidation	(2)	(2)
Disposals	-	-
Additions	89	89
At 30 September 2021	2,278	2,278
Amortisation		
At 1 October 2020	1,768	1,768
Exchange differences on consolidation	(1)	(1)
Eliminated on disposals	-	-
Charge for the year	281	281
At 30 September 2021	2,048	2,048
Net book value		
At 30 September 2021	230	230
At 30 September 2020	423	423

Projects under development total £NIL (2020 £7,000) in relation to database development costs.

Charity	Software and Website costs £'000	Total £'000
Cost		
At 1 October 2020	2,191	2,191
Exchange differences on consolidation	(2)	(2)
Disposals	-	-
Additions	89	89
At 30 September 2021	2,278	2,278
Amortisation		
At 1 October 2020	1,768	1,768
Exchange differences on consolidation	(1)	(1)
Eliminated on disposals	-	-
Charge for the year	281	281
At 30 September 2021	2,048	2,048
Net book value		
At 30 September 2021	230	230
At 30 September 2020	423	423

Projects under development total £NIL (2020 £7,000) in relation to database development costs.

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7 Tangible fixed assets

Group	Freehold land £'000	Freehold buildings £'000	Furniture, fittings, plant & machinery, equipment, building improvements & motor vehicles £'000	Total £'000
Cost				
At 1 October 2020	3,000	11,456	7,489	21,945
Exchange differences on consolidation	-	-	(123)	(123)
Disposals	-	-	(547)	(547)
Additions	-	-	1,111	1,111
At 30 September 2021	3,000	11,456	7,930	22,386
Depreciation				
At 1 October 2020	-	2,523	6,197	8,720
Exchange differences on consolidation	-	-	(118)	(118)
Eliminated on disposals	-	-	(537)	(537)
Charge for the year	-	115	432	547
At 30 September 2021	-	2,638	5,974	8,612
Net book value				
At 30 September 2021	3,000	8,818	1,956	13,774
At 30 September 2020	3,000	8,933	1,292	13,225

Furniture, fittings, plant & machinery, equipment, building improvements and motor vehicles contain assets in the course of construction of £114,000 (2020: £26,000).

Charity	Freehold land £'000	Freehold buildings £'000	Furniture, fittings, plant & machinery, equipment, building improvements & motor vehicles £'000	Total £'000
Cost				
At 1 October 2020	3,000	11,456	6,865	21,321
Exchange differences on consolidation	-	-	(102)	(102)
Disposals	-	-	(547)	(547)
Additions	-	-	576	576
At 30 September 2021	3,000	11,456	6,792	21,248
Depreciation				
At 1 October 2020	-	2,523	5,614	8,137
Exchange differences on consolidation	-	-	(97)	(97)
Eliminated on disposals	-	-	(537)	(537)
Charge for the year	-	115	346	461
At 30 September 2021	-	2,638	5,326	7,964
Net book value				
At 30 September 2021	3,000	8,818	1,466	13,284
At 30 September 2020	3,000	8,933	1,251	13,184

Furniture, fittings, plant & machinery, equipment, building improvements and motor vehicles contain assets in the course of construction of £114,000 (2020: £26,000).

The International Institute for Strategic Studies

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8 Fixed asset investments

Group and charity

	2021 £'000	2020 £'000
Quoted		
Hedge Funds	392	402
Property Fund	542	690
Portfolio Funds	6,321	5,891
UK Fixed Interest Funds	271	330
International Fixed Interest Funds	336	214
UK Equity Funds	701	605
International Equity Funds	2,836	2,138
Total Quoted investments	11,399	10,270
Portfolio cash	35	49
Total market value at 30 September	11,434	10,319
Total historical cost at 30 September	9,758	9,496
Reconciliation of opening and closing market values		
Opening market value at 1 October	10,270	7,470
Additions at cost	2,028	3,404
Disposals at opening market value	(2,070)	(561)
Net gain/(loss) on revaluation	1,171	(43)
Closing market value at 30 September	11,399	10,270
Portfolio cash at 30 September	35	49
Total market value at 30 September	11,434	10,319

9 Debtors

Group

	2021 £'000	2020 £'000
Trade debtors	901	486
Other debtors	739	641
Prepayments and accrued income	1,420	1,043
	3,060	2,170

Charity

	2021 £'000	2020 £'000
Trade debtors	856	445
Other debtors	404	288
Amounts owed by group and associated undertakings	607	144
Prepayments and accrued income	1,172	653
	3,039	1,530

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10 Creditors: amounts falling due within one year

Group

	2021 £'000	2020 £'000
Trade creditors	680	173
Other creditors	151	73
Taxation and social security	200	176
Accruals	586	570
Deferred income (note 11)	<u>6,441</u>	<u>6,528</u>
	<u>8,058</u>	<u>7,520</u>

Charity

	2021 £'000	2020 £'000
Trade creditors	638	195
Other creditors	89	66
Taxation and social security	184	176
Accruals	514	497
Deferred income (note 11)	<u>4,011</u>	<u>3,873</u>
	<u>5,436</u>	<u>4,807</u>

11 Deferred income

Group

	2021 £'000	2020 £'000
Brought forward at 1 October 2019	6,528	4,844
Received in the year	12,661	6,529
Expended in the year	<u>(12,748)</u>	<u>(4,845)</u>
Carried forward at 30 September 2020	<u>6,441</u>	<u>6,528</u>

Charity

	2021 £'000	2020 £'000
Brought forward at 1 October 2019	3,873	3,710
Received in the year	6,757	3,265
Expended in the year	<u>(6,619)</u>	<u>(3,102)</u>
Carried forward at 30 September 2020	<u>4,011</u>	<u>3,873</u>

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12 Movement in funds

Group	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	5,691	(131)	-		584	6,144
Restricted						
Gerald Segal Memorial Fund	24	-	(2)			22
Research Grants	47	4,210	(4,077)			180
	71	4,210	(4,079)	-	-	202
Unrestricted						
General fund	18,953	14,317	(13,504)	(36)	542	20,272
Pensions reserve	(741)			36	149	(556)
	18,212	14,317	(13,504)	-	691	19,716
Total funds	23,974	18,396	(17,583)	-	1,275	26,062
Charity	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	5,691	(131)	-		584	6,144
Restricted						
Gerald Segal Memorial Fund	24		(2)			22
Research Grants	51	2,769	(2,758)			62
	75	2,769	(2,760)	-	-	84
Unrestricted						
General fund	17,778	9,752	(10,328)	(36)	581	17,747
Pensions reserve	(741)			36	149	(556)
	17,037	9,752	(10,328)	-	730	17,191
Total funds	22,803	12,390	(13,088)	-	1,314	23,419

Expendable endowment - restricted to fund a Chair in Japanese Security Studies at the IISS

Gerald Segal Memorial Fund - to fund study on Asian issues.

Restricted Grants - for research projects and specific non-research projects in strategic studies.

Pensions reserve - represents the FRS102 pension liability.

13 Analysis of net assets by fund

Group	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,774	13,774
Intangible assets	-	-	230	230
Investments	6,134	-	5,300	11,434
Net current assets/ (liabilities)	-	202	978	1,180
Pension liability	-	-	(556)	(556)
	6,134	202	19,726	26,062
Charity	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,284	13,284
Intangible assets	-	-	230	230
Investments	6,134	-	5,300	11,434
Net current assets/ (liabilities)	-	84	(1,057)	(973)
Pension liability	-	-	(556)	(556)
	6,134	84	17,201	23,419

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Annual Report and Financial Statements for the year ended 30th September 2021

14 Pension schemes

The disclosures set out below relate to pension schemes to which contributions are made by the charity – a defined benefit scheme, individual personal pension schemes and a defined contribution scheme.

a Defined benefit scheme

The Institute sponsors the International Institute for Strategic Studies Staff Superannuation Scheme which is a defined benefit arrangement. The last completed full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 March 2018. The scheme is closed to new entrants and no contributions were made during the year.

During the year, the Institute has made payments of £48,000 to reduce the overall scheme deficit as identified in the triennial actuarial valuation of the scheme as at 1 March 2018.

i) The amounts recognised in the balance sheet are as follows:

	2021 £'000	2020 £'000
Present value of funded obligations	(3,363)	(3,418)
Fair value of plan assets	2,807	2,677
Deficit	(556)	(741)
Amounts in the balance sheet:		
Liabilities	(556)	(741)
Assets	-	-
Net liability	(556)	(741)

ii) Changes in the present value of the defined benefit obligation are as follows:

	2021 £'000	2020 £'000
Defined benefit obligation at start of year	3,418	3,385
Interest expense	58	61
Actuarial losses / (gains)	(61)	(4)
Benefits paid and expenses	(52)	(24)
Defined benefit obligation at end of year	3,363	3,418

iii) Changes in the fair value of the scheme assets are as follows:

	2021 £'000	2020 £'000
Opening fair value of scheme assets	2,677	2,669
Interest Income	46	48
Actuarial gains / (losses)	88	(60)
Contributions by the company	48	44
Benefits paid and expenses	(52)	(24)
Fair value of scheme assets at the year end	2,807	2,677

	2021 £'000	2020 £'000
The actual return on the plan assets in the year	134	(12)

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14 Pension scheme (continued)

iv) The defined benefit costs recognised within the Statement of Financial Activities are as follows:

	2021 £'000	2020 £'000
Net interest cost	12	13
Total amount charged to the Statement of Financial Activities	12	13

The International Institute for Strategic Studies expects to contribute £48,000 to its defined benefit pension scheme in the year ending 30 September 2022.

v) Defined benefit costs included in other recognised gains and losses

	2021 £'000	2020 £'000
Return on plan assets (excluding amounts included in net interest cost) - gain / (loss)	88	(60)
Experience gains / (losses) arising on the plan liabilities	60	24
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - gain / (loss)	1	(20)
Total losses included in other recognised gains and losses	149	(56)

vi) The major categories of scheme assets are as follows:

	2021 £'000	2020 £'000
UK Equities	256	113
Overseas Equities	719	462
Fixed Interest	1,028	603
Corporate Bonds	-	792
Diversified Growth	566	506
Property	178	181
Cash and other	60	20
Total Assets	2,807	2,677

vii) Principal assumptions at the balance sheet date (expressed as weighted averages)

	2021	2020
Discount rate at 30 September	2.00%	1.70%
Inflation (RPI)	3.70%	3.20%
Inflation (CPI)	2.90%	2.40%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.90%	2.40%
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.60%	3.10%
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	2.50%	2.50%
Allowance for commutation of pension for cash at retirement	50% of Post A Day	50% of Post A Day

viii) The mortality assumptions adopted at 30 September 2021 imply the following life expectancies at age 65:

	Years
Male retiring in 2021	22.60
Female retiring in 2021	24.50
Male retiring in 204	23.90
Female retiring in 2041	26.00

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Annual Report and Financial Statements for the year ended 30th September 2021

14 Pension scheme (continued)

b Personal pension plans

The Institute also contributes to the personal pension schemes of some employees. The contributions are charged to the Statement of Financial Activities when due and the cost for the financial year ended 30 September 2021 was £62,000 (2020: £60,000).

c Defined contribution scheme

The Institute has a defined contribution pension scheme which is open to all employees. The contributions made in the year ended 30 September 2021 were £349,000 (2020: £341,000). Contributions outstanding at the year end amounted to £56,000 (2020: £58,000).

d IISS-US pension scheme

The Institute contributes to a United States 401(k) defined contribution pension scheme which is open to employees at the IISS-US office. The contributions paid in the year ended 30 September 2021 were £30,000 (2020: £14,000). Contributions accrued at the year end amounted to £5,000 (2020: £2,000).

15 Leasing commitments

The future total minimum payments to which the Group is committed as at 30 September 2021 under operating lease agreements are as follows:

	2021 £'000	2020 £'000
Office premises		
Net present value of total lease commitments due:		
Within one year	1,039	756
Between one and two years	1,050	1,015
Between two and five years	2,108	2,473
Over five years	<u>1,639</u>	<u>2,009</u>

16 Capital commitments

As at 30 September 2021, there were capital commitments contracted but not provided for of £190,000; for reinstating fixtures and the replacement of equipment at Arundel House (2020: £367,000).

17 Reconciliation of net incoming resources to net cash inflow from operating activities

	2021 £'000	2020 £'000
Net income for the reporting period (as per the statement of financial activities)	2,009	354
Adjustments for:		
Dividends and interest from investments	(295)	(257)
Depreciation charges	547	425
Amortisation charges	281	372
Pension reserve deficit funding	(36)	(31)
Losses/ (Gains) on investments	(1,196)	53
Exchange losses/ (gains) on fixed assets	6	4
Change in cash and cash equivalents due to exchange rate movements	(70)	(34)
Loss on disposal of fixed assets	10	39
(Increase)/ Decrease in debtors	(890)	(153)
Increase in creditors	<u>538</u>	<u>1,416</u>
Net cash provided by (used in) operating activities	<u>904</u>	<u>2,188</u>

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18 Analysis of cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	6,178	6,098
Portfolio cash	35	49
	<u>6,213</u>	<u>6,147</u>

19 Related Parties

a Trustees or connected persons

The Trustees did not receive any remuneration during the current or previous year.

No transactions, contracts or other arrangements (including grants) with any Trustees were entered into by the Institute during the year ended 30 September 2021 (2020: Nil).

Travel expenses for both governance and attending Institute dialogues and other activities were paid or reimbursed in respect of 1 trustee (2020: 5) and the total amount was £3,000 (2020: £5,000).

b Other related parties

The ultimate parent undertaking (Parent Charity) includes IISS-UK, and its two branches, IISS-US and IISS-Middle East.

i Arundel House Enterprises Ltd

Related party transactions of the ultimate parent undertaking with Arundel House Enterprises Ltd were as follows:

	2021 £'000	2020 £'000
Balance at beginning of year	3	139
Expenses paid on behalf of Parent	(134)	(205)
Expenses paid on behalf of related party	282	419
Amounts paid in during the year	(269)	(370)
Foreign currency movement	27	20
Balance at end of year	<u>(91)</u>	<u>3</u>

ii International Institute for Strategic Studies (Asia) Ltd

Related party transactions of the ultimate parent undertaking with IISS-Asia Ltd were as follows:

	2021 £'000	2020 £'000
Balance at beginning of year	-	-
Expenses paid on behalf of Parent	(11)	(19)
Expenses paid on behalf of related party	2,360	1,958
Amounts paid out during the year		9
Amounts paid in during the year	(1,146)	(1,492)
Foreign currency movement	2	3
Balance forgiven on behalf of Parent	<u>(1,205)</u>	<u>(459)</u>
Balance at end of year	<u>-</u>	<u>-</u>

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III Strategic Studies Fund

There were no related party transactions of the ultimate parent undertaking with the Strategic Studies Fund during 2021 (2020: Nil).

Related party transactions of IISS-Asia with the Strategic Studies Fund were as follows:

	2021 £'000	2020 £'000
Balance at beginning of year	(495)	(316)
Expenses paid on behalf of Parent (IISS-Asia)	-	(378)
Expenses paid on behalf of related party	168	199
Amounts paid in during the year	(98)	-
Foreign currency movement	4	-
Balance at end of year	<u>(421)</u>	<u>(495)</u>

IV IISS India Organisation

Related party transactions of the ultimate parent undertaking with IISS India Organisation were as follows:

	2021 £'000	2020 £'000
Balance at beginning of year	76	83
Expenses paid on behalf of Parent	-	-
Expenses paid on behalf of related party	-	-
Foreign currency movement	(4)	(7)
Balance at end of year	<u>72</u>	<u>76</u>

V IISS Europe gemeinnützige GmbH

Related party transactions of the ultimate parent undertaking with IISS Europe gemeinnützige GmbH were as follows:

	2021 £'000	2020 £'000
Balance at beginning of year	65	-
Expenses paid on behalf of related party	251	47
Amounts paid out during the year	240	18
Foreign currency movement	(1)	-
Balance at end of year	<u>555</u>	<u>65</u>

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20 Subsidiary undertakings

I Arundel House Enterprises Ltd

Registered office : Arundel House, 6 Temple Place, London, WC2R 2PG
Registered number : 3720258

- a The charity beneficially owns the entire share capital of Arundel House Enterprises Limited, a company incorporated in England and Wales under registration number 3720258, which manages the conference facilities of Arundel House and Bloomsbury House. The results for Arundel House Enterprises Limited have been consolidated into the group financial statements.

b Summary of profit and loss account for Arundel House Enterprises Ltd

	2021 £'000	2020 £'000
Turnover	300	416
Cost of sales	(25)	(36)
Gross profit	275	380
Other expenses	(205)	(380)
Net profit before taxation	70	-
Gift Aid to IISS	(71)	-
Loss after taxation	(1)	-

c Summary of balance sheet for Arundel House Enterprises Ltd

	2021 £'000	2020 £'000
Tangible fixed assets	-	-
Debtors	55	94
Cash at bank and in hand	16	19
Current assets	71	113
Creditors	(61)	(102)
Net assets	10	11
Aggregate capital and reserves	10	11

II International Institute for Strategic Studies (Asia) Ltd

Registered office : 9 Raffles Place, #51-01 Republic Plaza, Singapore 048619
Registration number : 200106226Z

- a The charity holds a majority of the voting rights of The International Institute for Strategic Studies (Asia) Limited, a company limited by guarantee and incorporated in Singapore under company number 200106226Z. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b Summary of income statement for International Institute for Strategic Studies (Asia) Ltd

	2021 £'000	2020 £'000
Dialogue and Lecture Series	3,506	1,899
Research programmes	1,425	1,371
Other	22	16
Total income	4,953	3,286
Dialogue and Lecture Series	(3,140)	(1,675)
Research programmes	(350)	(939)
Total expenses	(3,490)	(2,614)
Surplus for the year	1,463	672

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c Summary of balance sheet for International Institute for Strategic Studies (Asia) Ltd

	2021 £'000	2020 £'000
Tangible fixed assets	355	42
Debtors	80	799
Cash at bank and in hand	<u>4,160</u>	<u>3,137</u>
Current assets	4,240	3,936
Creditors	<u>(1,991)</u>	<u>(2,799)</u>
Net assets	<u>2,604</u>	<u>1,179</u>
Aggregate capital and reserves	<u>2,604</u>	<u>1,179</u>

III Strategic Studies Fund

Registered office : 9 Raffles Place, #51-01 Republic Plaza, Singapore 048619
IPC Registration number : 1798

- a The charity is a trustee of the Strategic Studies Fund (SSF), a trust established in Singapore under Charity number 1798, and has ultimate discretion over the disbursement of SSF funds. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b Summary of income statement for Strategic Studies Fund

	2021 £'000	2020 £'000
Lectures Series	36	38
Research	<u>128</u>	<u>177</u>
Total income	<u>164</u>	<u>215</u>
Lectures Series	(36)	(23)
Research	(125)	(168)
Other expenses	-	-
Total expenses	<u>(161)</u>	<u>(191)</u>
Surplus for the year	<u>3</u>	<u>24</u>

c Summary of balance sheet for Strategic Studies Fund

	2021 £'000	2020 £'000
Debtors	421	495
Creditors	<u>(365)</u>	<u>(440)</u>
Net assets	<u>56</u>	<u>55</u>
Reserves	<u>56</u>	<u>55</u>

IV IISS India Organisation

Registered office: E-301, East of Kailash, New Delhi-110065, India
Incorporated in India with limited liability under number U80903DL2014NPL270367

- a The charity holds a majority share-holding (99.9%) in IISS India Organisation, a limited not for profit company incorporated in India. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

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Annual Report and Financial Statements for the year ended 30th September 2021

b Summary of income statement for IISS India Organisation

	2021 £'000	2020 £'000
Other Income	-	15
Total income	-	15
Dialogue and Lecture Series	-	(12)
Other expenses	-	-
Total expenses	-	(12)
Surplus/(Deficit) for the year	-	3

c Summary of balance sheet for IISS India Organisation

	2021 £'000	2020 £'000
Debtors	7	7
Cash at bank and in hand	17	22
Current assets	24	29
Creditors	(75)	(83)
Net assets	(51)	(54)
Aggregate capital and reserves	(51)	(54)

V IISS Europe gemeinnützige GmbH

Registered office: Potsdamer Platz 10, Haus 2, 10785 Berlin, Deutschland

- a The charity holds a 100% share in IISS Europe gemeinnützige GmbH, a not for profit company incorporated in Germany on 28 May 2019. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b Summary of income statement for IISS-Europe

	2021 £'000	2020 £'000
Research	682	34
Other Income	11	-
Total income	693	34
Research	(645)	(54)
Total expenses	(645)	(54)
Surplus/(Deficit) for the year	48	(20)

c Summary of balance sheet for IISS-Europe

	2021 £'000	2020 £'000
Tangible fixed assets	135	-
Debtors	87	-
Cash at bank and in hand	561	24
Current assets	648	24
Creditors	(757)	(44)
Net assets	26	(20)
Aggregate capital and reserves	26	(20)

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Annual Report and Financial Statements for the year ended 30th September 2021

21 Comparative Information

i) Consolidated Statement of Financial Activities (incorporating an income and expenditure account)

Year ended 30th September 2020

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2020 £'000	Total Funds 2019 £'000
Income from:						
<i>Donations</i>	2	2,941	-	-	2,941	9,036
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	3	5,880	-	-	5,880	7,560
Research programmes	3	802	3,677	-	4,479	4,463
Publications		1,445	-	-	1,445	1,282
Membership		1,593	-	-	1,593	1,422
Other trading activities		396	-	-	396	527
<i>Investments</i>		84	173	-	257	99
<i>Capital applied to income</i>		-	187	(187)	-	-
<i>Other income</i>		25	-	-	25	148
Total		13,166	4,037	(187)	17,016	24,537
Expenditure on:						
<i>Raising funds</i>		138	-	-	138	201
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	4	4,884	-	-	4,884	5,371
Research programmes	4	3,821	3,983	-	7,804	7,919
Publications	4	2,823	-	-	2,823	3,883
Membership	4	564	-	-	564	726
Other	4	-	-	-	-	-
<i>Other trading activities</i>		396	-	-	396	517
Total		12,626	3,983	-	16,609	18,617
Net gains on investments	17	(33)	-	(20)	(53)	81
Net income/ (expenditure)		507	54	(207)	354	6,001
Transfers between funds	12	-	-	-	-	-
Other recognised gains/(losses):						
Foreign exchange gains		(34)	-	-	(34)	48
Actuarial losses on defined benefit pension schemes	14	(56)	-	-	(56)	(532)
Net movement in funds		417	54	(207)	264	5,517
Funds brought forward at 1 October 2019	12	17,795	17	5,898	23,710	18,193
Funds carried forward at 30 September 2020	12,13	18,212	71	5,691	23,974	23,710

All amounts relate to continuing operations and, as all gains and losses are included, a separate statement of total recognised gains and losses has not been presented.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2021

ii) Comparative movement in funds

For the year ended 30 September 2020

Group	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	5,898	187	-	-	20	5,691
Restricted						
Gerald Segal Memorial Fund	26	-	(2)			24
Research Grants	(9)	4,037	(3,981)			47
	17	4,037	(3,983)	-	-	71
Unrestricted						
General fund	18,511	13,166	(12,626)	(31)	67	18,953
Pensions reserve	(716)			31	(56)	(741)
	17,795	13,166	(12,626)	-	(123)	18,212
Total funds	23,710	17,016	(16,609)	-	(143)	23,974

Charity	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	5,898	187	-		(20)	5,691
Restricted						
Gerald Segal Memorial Fund	26		(2)			24
Research Grants	(5)	3,247	(3,191)			51
	21	3,247	(3,193)	-	-	75
Unrestricted						
General fund	18,002	10,024	(10,164)	(31)	(53)	17,778
Pensions reserve	(716)			31	(56)	(741)
	17,286	10,024	(10,164)	-	(109)	17,037
Total funds	23,205	13,084	(13,357)	-	(129)	22,803

Expendable endowment - restricted to fund a Chair in Japanese Security Studies at the IISS

Gerald Segal Memorial Fund - to fund study on Asian issues.

Restricted Grants - for research projects and specific non-research projects in strategic studies.

Pensions reserve - represents the FRS102 pension liability.

iii) Comparative Analysis of net assets by fund

For the year ended 30 September 2020

Group	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,225	13,225
Intangible assets	-	-	423	423
Investments	5,691	-	4,628	10,319
Net current assets/ (liabilities)	-	71	677	748
Pension liability	-	-	(741)	(741)
	5,691	71	18,212	23,974

Charity	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,184	13,184
Intangible assets	-	-	423	423
Investments	5,691	-	4,628	10,319
Net current assets/ (liabilities)	-	75	(457)	(382)
Pension liability	-	-	(741)	(741)
	5,691	75	17,037	22,803

The International Institute for Strategic Studies

FOR INFORMATION ONLY: CHARITY SOFA DOES NOT FORM PART OF AUDITED FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2021

	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2021 £'000	Total Funds 2020 £'000
Income from:					
<i>Donations</i>	2,872	-	-	2,872	2,941
<i>Charitable activities</i>					
Dialogues, conferences and lecture series	3,820	-	-	3,820	3,943
Research programmes	214	2,417	-	2,631	2,896
Publications	1,319	-	-	1,319	1,445
Membership	1,450	-	-	1,450	1,593
<i>Investments</i>	74	221	-	295	257
<i>Capital applied to income</i>	-	131	(131)	-	-
<i>Other incoming resources</i>	3	-	-	3	9
Total	9,752	2,769	(131)	12,390	13,084
Expenditure on:					
<i>Raising funds</i>	153	-	-	153	138
<i>Charitable activities</i>					
Dialogues, conferences and lecture series	2,859	-	-	2,859	3,189
Research programmes	3,851	2,760	-	6,611	6,643
Publications	2,994	-	-	2,994	2,823
Membership	471	-	-	471	564
Total	10,328	2,760	-	13,088	13,357
Net (losses)/ gains on investments	612	-	584	1,196	(53)
Net income/ (expenditure)	36	9	453	498	(326)
Transfers between funds	-	-	-	-	-
Other recognised gains/(losses):					
Foreign exchange (losses)/ gains	(31)	-	-	(31)	(20)
Actuarial gains/ (losses) on defined benefit pension schemes	149	-	-	149	(56)
Net movement in funds	154	9	453	616	(402)
Funds brought forward at 1 October 2019	17,037	75	5,691	22,803	23,205
Funds carried forward at 30 September 2020	17,191	84	6,144	23,419	22,803

Accounts

Company Number: 615259
Charity Number: 206504

**THE INTERNATIONAL INSTITUTE FOR
STRATEGIC STUDIES**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2020

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STRATEGIC REPORT AND THE REPORT OF THE TRUSTEES

The Trustees present their report for the year ended 30th September 2020. This incorporates the Directors' report, which has been prepared in accordance with the Companies Act 2006 and FRS102, and the Strategic Report. The accounts comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP).

The primary role of the International Institute for Strategic Studies (referred to as 'IISS' or 'the Institute') is to enhance public understanding of questions of international security, help to provide policy makers with facts and analysis to inform and advise their decision-making, and contribute to improved defence diplomacy and conflict resolution.

During the year ended 30 September 2020, Institute activities were impacted by the COVID-19 pandemic, notably due to restrictions forcing the closure of IISS offices and the postponement or cancellation of in-person events. The Institute adapted to these restrictions by improving its virtual capabilities and providing staff with necessary equipment to ensure they could successfully deliver their roles from home during lockdowns, thus minimising any disruption to productivity. COVID-19 safety measures were introduced across all offices to ensure a safe working environment was provided for those staff who needed to attend the office. Where possible, and in close consultation with funders, conferences and workshops were converted into online webinars or hybrid events to ensure the Institute was still able to retain its convening power. Where virtual events were not feasible, alternative activities were agreed with funders to ensure project deliverables were achieved. During this period, the IISS took no COVID related government support, furloughed no staff and made no COVID-related redundancies. The Trustees have expressed gratitude for the way in which the COVID-19 restrictions have been handled by IISS management to reduce disruption to Institute activities, ensure staff safety and minimise any financial loss.

Despite these challenges, the Institute achieved the main objectives set by the Trustees for the year, which included the expansion of its research output, convening activity and dissemination of its publications, enhanced digital content, and widening the Institute's international network and global coverage. More details can be found in the *Achievements and Performance* section on pages 3 to 8.

Research, Dissemination and Digital Content

In 2020, the Institute produced over 100 publications distributed to universities, governments, business, policy makers and research institutions across 92 countries in a wide range of digital and print formats. There were over 450,000 full-text downloads of IISS publications. In addition, the Institute posted over 231 blogs and reports on the [iiss.org](https://www.iiss.org) website.

The IISS continues to update and expand its digital channels. The new podcast series, *Sounds Strategic*, has attracted over 45,000 listeners since January 2020, while the IISS website audience continues to grow, with 58% user growth year on year (January-November)—this led to a record high for the Institute of one million users during the year. Over the past year, the Institute's social media audience increased from around 225,000 to more than 275,000. The IISS's Twitter following has grown by 1,000–2,500 each month to reach 136,000. The Institute's Instagram channel, which was launched for the 2019 Manama Dialogue, has almost reached 1,500 followers.

The trend over the last few years has been for media coverage to peak around the IISS Manama and Shangri-La Dialogues. This trend changed in 2020, partly due to the postponement of the Shangri-La Dialogue and partly reflecting the expansion of the breadth of coverage throughout the year. This means that, although the Shangri-La Dialogue did not take place in 2020, the Institute exceeded the total reach (people who read, heard or saw coverage) in English language media achieved in 2019. Highlights included IISS analysis and comment following Iranian General Qasem Soleimani's assassination in January, reaching over 10 million people in top tier outlets internationally, with similar coverage by the IISS of the Burkina Faso conflict between April and June. Media citation during the year of data and analysis from the Institute's flagship *The Military Balance* publication reached over

56 million people and that of our nuclear weapons and proliferation analysis reached 44 million. IISS commentary on Southeast Asia reached 57 million people, while our analysis of the Middle East reached 37 million.

Convening power

The Institute continued to extend its platforms for intergovernmental consultation and dialogue in both private and public settings to improve defence diplomacy and conflict resolution. In all cases, the Institute was able to create informed debate, develop new networks of contacts and engage governments, the private sector, the international expert and opinion-forming community, and IISS members in both open debates and confidential discussions to improve mutual understanding of differing positions and promote new policy approaches.

Over the year, the Institute convened 163 events in seven countries with 10,267 attendees from over 100 countries.

The Institute also continued to deploy its convening power and analytical excellence informally via meetings between senior research staff and leading government figures and policy makers from a range of countries. At these meetings the Institute is able to leverage its global reach and data-based approach to analysis to provide information on which strategically important policy decisions can be made at the highest level.

Global coverage and international strategic network

Investment in analytical expertise and in enhancing the role of its four international offices has been a core focus of the Institute in recent years in order to bring a powerful global perspective to all of its work, as well as engendering the widest possible engagement on issues of international security.

Details about the activities of the international offices can be found on pages 14-15.

Strategy

The Institute's medium- to long-term strategy comprises four elements as follows:

1. to provide facts and analysis on the sources of conflict, however caused, which may provoke the use of organised military force, and to examine the changing nature and use of organised force in international affairs;
2. to provide facts and analysis on the nature of political, geopolitical and geo-economic risk and advise governments and the private sector on measures that can be taken to mitigate that risk;
3. to provide an independent platform for intergovernmental consultations on geopolitical and geo-economic issues in private and public settings, supported by the facts and analyses developed by the Institute; and
4. to sustain a network of experts in these matters on the permanent staff, on a part-time consulting basis and also generally among an engaged cohort of the individual membership.

The Institute measures the success of this strategy in the following ways:

- expressions of interest in the Institute's advice, and attendance at its dialogues and conferences by government officials, international business and media representatives from around the world.
- evidence that the Institute has contributed to improved defence diplomacy and conflict resolution, as demonstrated by authoritative statements to the IISS from around the world;
- obtaining funding from a variety of international charitable, governmental, corporate and individual sources to maintain a significant body of research across a broad range of thematic and regional programmes;
- citations of the Institute's research in respected media; and
- worldwide demand for its publications and databases.

OBJECTIVES AND PRINCIPAL ACTIVITIES

The Institute's declared objects are '*to promote on a non-party basis the study and discussion of and the exchange of information upon any major international security issues including without limitation those of a political, strategic, economic, social or ecological nature, and to promote conflict resolution by facilitating discussion and dialogue and publishing analysis on major international security issues to assist and promote the resolution of conflicts between or within nations*'.

The Institute aims to achieve these objects by providing to IISS members, governments, international organisations and the wider public the best possible objective information on military and political developments relevant to the prospects, course and consequences of conflict having an important military dimension. In furtherance of its objectives, the Institute:

- delivers a comprehensive research programme committed to advancing wider understanding of constantly evolving global security issues;
- convenes government officials, independent analysts, business people and journalists to advance understanding of political, military, economic, environmental and societal trends in the subjects addressed by the Institute's work;
- continues to enhance the online content offered through iiss.org to maximise global access to its research and analysis; and
- maintains an international network of influential and knowledgeable individuals, corporate entities, governments and others as an audience for its research and publications.

The Institute's achievements against its objectives are discussed under the heading '*Achievements and Performance*' below.

The Institute's 'statement of values' and 'policy on financial transparency confidentiality and effectiveness,' published on the IISS website, reaffirm the IISS's commitment to full independence and excellence in the conduct of all of its activities, along with the Trustees' determination that fundraising is maintained with the twin aims of guaranteeing the Institute's independence of thought and analysis, as well as maintaining the Institute's effectiveness as a strategic actor in a complex international environment.

The charity had no fundraising activities requiring disclosure under provisions of section 13 of the Charities (Protection and Social Investment) Act 2016.

ACHIEVEMENTS AND PERFORMANCE

Research Programmes

As an independent, non-partisan and international policy institute, the IISS is committed to advancing wider understanding of the critical security issues of the 21st century and their potential trends or resolution. A comprehensive research programme covers these challenges and responds to them both thematically and regionally. The 20-member IISS Advisory Council, composed of distinguished members from around the world, assists the Institute on the intellectual direction of its activities. The programme has been defined under the broad categories of War, Power and Rules covering five thematic and seven regional concentrations:

- | | |
|---|---|
| ▪ Defence and Military Analysis | ▪ Africa |
| ▪ Geo-Economics, Geopolitics and Strategy | ▪ Asia-Pacific |
| ▪ Non-Proliferation and Nuclear Policy | ▪ Europe |
| ▪ Cyber, Space and Future Conflict | ▪ Middle East and the Gulf |
| ▪ Conflict, Security and Development | ▪ Japan Chair programme |
| | ▪ South Asia |
| | ▪ US Foreign Policy and Transatlantic Affairs |

IISS research programmes actively contribute to a range of government and corporate briefings, convening external and IISS member events, delivering podcasts and producing research and analysis for the wide range of IISS publications. In recent years, the Institute has paid increasing attention not only to international security, but also to facilitating dialogue and conflict-resolution. This is achieved by bringing together parties under dispute in 'track-two' meetings around the world, to discuss differences and consider how common interests can be advanced.

In the period under review, IISS research and research-related activities achieved notable impact on a number of fronts. The following is a list of key examples.

- In September 2020, the Defence and Military Analysis Programme (DMAP) published the IISS Strategic Dossier "*Russia's Military Modernisation: An Assessment*" (as referenced below). Throughout the year, DMAP implemented the Missile Dialogue Initiative project, convening a number of meetings and publishing several research papers in this framework, and worked on issues including European defence in the age of great power competition; China's defence modernisation and Beijing's views on arms control; as well as the geopolitical implications of the COVID-19 pandemic.
- The Non-Proliferation and Nuclear Policy (NPNP) Programme was awarded grant funding from the United Kingdom's Foreign, Commonwealth and Development Office to produce an evidence-based assessment report on Iran's missile capabilities and proliferation activities. The Programme convened two workshops to identify the overarching verification framework needed to validate North Korea's compliance with a range of nuclear-disarmament scenarios, sharing workshop findings with the US Special Representative for North Korea. The Institute also organised unique para-diplomatic talks that discreetly brought together experts from Iran and major Arab states to explore solutions to their differing security perspectives, resulting in published reports.
- This year's Geo-economics, Geopolitics and Strategy Programme published major reports on 'China's Belt and Road Initiative (BRI), *Beyond the Myths – Towards a Realistic Assessment of China's Belt and Road Initiative: The Development-Finance Dimension* and *China's BRI: The security dimension*. The Programme also worked on two major publications due in the first half of 2021: a BRI Strategic Dossier and an Adelphi volume on the Digital Silk Road (DSR). The Programme has also produced an interactive map, *China Connects*, detailing the global reach of the DSR.
- The appointment of a Senior Fellow for Japanese Security Studies in December 2019—Robert Ward—has enabled the expansion of the Institute's work on Japan's foreign, international security and defence policies. A highlight of the new Japan Chair Programme this year was its contribution to a major report on missile defence options for Japan, prepared for Japan's then-Defence Minister, Kono Taro. The Programme has also started to develop strong expertise in Japan's economic statecraft as well as (and, relatedly) its cyber and technology policy.
- A substantial research effort of the Cyber, Space and Future Conflict programme in the past year has been the 100,000 word, ground-breaking report on *Cyber Capabilities and National Power: Methodology and Net Assessment*, due for publication in early 2021. Through this project, the IISS engaged with leading officials and specialists around the world to develop individual studies on 15 countries and offer a novel approach to understanding national cyber power. Building on earlier IISS work on China's cyber power, the Institute has conducted new research on China's cyber defences, its reform efforts on cyber-security education, and the prospects for a US-China technological decoupling.
- The Asia-Pacific research programme has benefited from the recruitment of new research staff and has continued to develop its work on important new areas of interest to the Institute's main constituencies. In early 2020, two new Shangri-La Dialogue Senior Fellows for Asia-Pacific Security - Dr Lynn Kuok and Dr Euan Graham - were appointed in the IISS-Asia office. They are continuing to expand the programme's work on major power relations, the South China Sea dispute, and medium powers' security and defence policies in the region. Dr Samir Puri,

appointed as Senior Fellow for Urban Security and Hybrid Warfare at IISS-Asia in September 2020, will further reinforce the programme's range of expertise. A major published output from the programme was the 2020 IISS Asia-Pacific Regional Security Assessment (as referenced below).

- The Middle East Research Programme widely disseminated the findings of the IISS Strategic Dossier on *Iran's Networks of Influence in the Middle East*, briefing Western and Middle Eastern military, intelligence, diplomatic and non-government audiences and receiving significant media coverage. In addition to contributing to regular IISS publications, the research team also produced papers feeding into IISS research on Chinese global and digital outreach. A special publication was released at the 2020 Manama Dialogue that examined the strategic and geo-economic repercussions of the COVID-19 pandemic for global and Middle Eastern politics.
- The South Asia programme held an IISS-Pakistan track-1.5 dialogue on nuclear doctrine and deterrence in London in February 2020. Speakers and participants included a senior advisor to Pakistan's National Command Authority (who made a rare public presentation), senior military officers of Pakistan's Strategic Plans Division and top UK academics, experts and UK government officials. In March 2020, the programme hosted Dr Moeed Yusuf, Special Assistant to the Prime Minister of Pakistan on National Security Division and Strategic Policy Planning (with the rank of Federal Minister of State) for an informal discussion at Arundel House.
- The Conflict, Security and Development programme (CSDP) activities included the publication of the *Armed Conflict Survey* (as referenced below) and the successful conclusion of the UK's Department for International Development-funded project on 'Urban Drivers of Political Violence.' This project set out to help policy makers understand the specific challenges related to political conflict and violence in urban areas.

Publications

Despite the challenging circumstances, IISS publications maintained a high tempo throughout the year. *Strategic Comments* provided timely briefings on questions of international security and high politics. Topics included Ethiopia's economic boom; political unrest in Chile; NATO's China strategy; COVID-19 and the US military; Hong Kong's security law; the Kosovo-Serbia dispute; India's non-alignment in the telecommunication sector; and Turkey's increasingly assertive foreign policy.

Strategic Survey: The Annual Assessment of Geopolitics was published in November 2020, analysing the global and regional shifts in geopolitics and security systems. The publication's region-by-region analytical review of the previous year is complemented with forward-looking essays on topical questions. Its 34 essays address the impact and management of the common challenges of COVID-19 and climate change. The essays explore major geopolitical developments, such as the decline of US-China and EU-China relations, conflict in Jammu and Kashmir, the crisis in arms control and key gaps in international law. They also assess the progress of three ambitious presidents: Cyril Ramaphosa, Volodymyr Zelensky and Andrés Manuel López Obrador; and the foreign-policy legacies of two veteran leaders: Angela Merkel and Abe Shinzo. They analyse issues of rising strategic importance, such as the new geopolitics of the Red Sea, the regional implications of Ethiopia's new mega-dam, and the international spread of Brazilian organised crime.

In February 2020, the IISS launched the 61st edition of *The Military Balance* at the Munich Security Conference, providing data and capability assessments for the armed forces of 171 countries. The 2020 edition charted the further erosion of the technological advantage enjoyed by Western states in the face of China's military modernisation and the introduction of new equipment into Russia's armed forces. Essays included reflections on the concepts of 'informatisation' and 'intelligentisation' in China's armed forces; the military use of the electromagnetic spectrum for electronic warfare purposes; and the space domain as a realm of conflict. The accompanying wallchart provided an assessment of the global distribution of land attack cruise missiles in national inventories.

The *Military Balance Plus* database combines multiple years of data and qualitative assessments from The Military Balance with advanced search and graphical capability. During 2020, data holdings

in the *Military Balance Plus* database expanded further and the IISS introduced a defence spending forecast tool, allowing for 10-year spending projections for a number of countries around the world. The database presents a step change in defence analysis for the Institute and its core audiences in government, the military and the private sector.

The Institute's journal, *Survival: Global Politics and Strategy*, published six times per year, provides a platform for many of the leading thinkers in the field of international affairs to analyse and debate strategic questions. In 2020 these included a piece on climate change and the state, how COVID-19 will reshape geopolitics, the UK's response to the COVID-19 outbreak, and a relatively positive piece on the international scientific mobilisation in response to COVID-19. There were further articles on John Bolton's obsession with Iran and the strategic significance of China's port investments under the BRI. *Survival* remains the Institute's most-read publication and is the second most popular social science journal within the vast portfolio of our publishing partner, Taylor & Francis.

The annual *Armed Conflict Survey* was published in May and featured analysis of 33 active armed conflicts, up-to date information on conflict parties, analysis of the underlying drivers and historical roots of conflicts, key political and military developments in 2019 and their impact, conflict specific and regional trends, and full-colour maps, tables and infographics. The book also contains four thematic essays on: ISIS foreign fighters after the fall of the Caliphate; the use of uninhabited weaponry by non-state actors; the origins and consequences of armed group proliferation; and human trafficking in conflict.

The *Adelphi* book series is the Institute's principal contribution to policy-relevant, original academic research. In February the IISS published *A historical sensibility: Sir Michael Howard and the IISS, 1958–2019*, a commemorative collection of Sir Michael's works for the Institute. Lucie Béraud-Sudreau's book on *French arms exports: the business of sovereignty* was published in March, and considers how France has responded to changing political and market circumstances in the way that it promotes and controls the export of weapons.

In addition to these established publications, which are disseminated to universities, governments, militaries and think tanks around the world, the IISS released various reports and dossiers. Principal among these was the *Asia Pacific Regional Security Assessment 2020*, published in June, which comprises ten chapters concerning the regional strategies of major resident powers, as well as topical security issues.

Two IISS Strategic Dossiers were published in November 2019. *Iran's Networks of Influence in the Middle East* examines Iran's use of proxies and third parties in the Middle East. This dossier provides an understanding of how Iran builds, operates and uses its sovereign capability to fight by, with and through third parties in foreign jurisdictions. The second dossier, *ISR and the Gulf: An Assessment*, considers the meaning of and requirement for intelligence, surveillance and reconnaissance in the context of the region. It examines the military needs and industrial aspirations of the Gulf Arab states regarding ISR. The report is a companion work to the Institute's 2016 dossier on *Missile-Defence Cooperation in the Gulf*, to provide a basis for informed decision-making to support improved security in the region.

The Strategic Dossier, *Russia's Military Modernisation: An Assessment*, published in September 2020, examines the development of Moscow's armed forces and military capabilities. It analyses the aspirations underpinning Russia's military reform programme and its successes as well as its failures. The dossier also provides insights into Russia's operational use of its armed forces, including in the intervention in Syria, the goals and results of recent state armament programmes, and the trajectory of future developments.

Dialogues, Lecture Series and Conferences

The Institute's international dialogues bring government officials together in a combination of formats, and to address subjects, that they might not be able to coordinate themselves. Under the international auspices of the Institute, it is often easier to arrange for discreet contacts to take place between

government officials who wish to meet, but to do so unofficially and away from the public eye. In addition, the Institute organises lecture series and specialist conferences around the globe.

1. The Shangri-La Dialogue

Initiated in 2002, the Annual Asia Security Summit (IISS Shangri-La Dialogue) is the most important regular gathering of defence professionals in the region. Governments, the expert community and the media have increasingly viewed the substance and tone of exchanges at the Dialogue as important indicators of the state of the region's security. The Shangri-La Dialogue will be staged in Singapore with the government's support until at least 2024.

In light of the serious challenges posed by the global COVID-19 pandemic, the IISS decided in close consultation with the Government of Singapore not to convene the 2020 Shangri-La Dialogue, which was scheduled for 5–7 June 2020. The Institute plans to convene an exceptionally strong IISS Shangri-La Dialogue in 2021, to be held on 4–6 June.

The Shangri-La Dialogue provides a platform, which participant countries' defence ministers and other principals have used to elaborate and clarify their countries' positions on the most important regional security topics of the day. The Dialogue has also been a venue for proposing and advancing defence initiatives and multiple government bilateral and multilateral meetings are held around the Dialogue.

2. The Manama Dialogue

The 15th IISS Regional Security Summit: The IISS Manama Dialogue was held 22–24 November 2019. Since its inception in 2004, the Dialogue has become a central element in the Middle East's security architecture. National leaders and ministers from the Middle East, North America, Europe, Asia and Africa make major policy statements and are offered a bespoke occasion to consult bilaterally and multilaterally on the most pressing security and foreign-policy challenges.

More than 525 delegates from 53 countries took part in the 2019 event. There were 45 government delegations bringing 20 ministers, 5 armed-forces and 12 intelligence chiefs to Bahrain. Two-thirds of the delegates were government officials, demonstrating the continuing interest of governments in attending and contributing to important policy discussions facilitated by the IISS. Nearly 30 senior journalists attended, and a press corps of more than 100, underlining the importance of government–media interaction and the value of independent discussion in the heart of the Middle East.

The IISS Manama Dialogue 2019 provided an opportunity to reflect on how countries and corporations can navigate competition and conflict in the Middle East. Given deep political fault lines running through the region, the weakness of formal institutions and uncertainty over the US's strategic involvement with the region, informal mechanisms such as the Dialogue become important fora for shaping collective purpose. The most debated issue at the Dialogue was whether the US policy of maximum pressure would rein in Iranian behaviour or would fuel further regional escalation. Local actors, meanwhile, focused their remarks on regional rivalries, attributing the Middle East's problems variously to Iran, Israel and Turkey.

A new programme initiative for the 2019 Dialogue was the Manama Dialogue Young Leaders' Programme (MDYLP). The MDYLP brought some of the Middle East's brightest young strategic thinkers and leaders to the IISS Manama Dialogue to involve them in high-level debate about the current strategic and security challenges facing the region.

3. Lecture Series

The Fullerton Lecture Series brings together major figures in Asia-Pacific and international affairs to speak in Singapore. Due to COVID-19 pandemic restrictions, the IISS was only able to hold one lecture in the last financial year. In November 2019, the Secretary of Foreign Affairs of the Republic of the Philippines, Teodoro Locsin Jr, discussed the Philippines' new role as coordinator for the Association of Southeast Asian Nation (ASEAN)'s relations with China and how growing major power rivalry is affecting its relations with China and the United States.

4. IISS Alastair Buchan Lecture and Annual Dinner 2019

The IISS hosted Dr Yoichi Funabashi, Chairman of the Asia Pacific Initiative, as he delivered the Alastair Buchan Lecture at its Annual Dinner on 13 November 2019, attended by policy makers, business people and members of the press. Dr Funabashi spoke on the Japan–US relationship, its importance to regional security and the challenges that have emerged during the Trump presidency. He concluded by saying that Japan played a key role as a stabilising force in the region and, along with like-minded nations, had a duty to champion the rights and freedoms of smaller nations.

Membership

The IISS retains a strong global membership base which comprises a broad spectrum of leading analysts, academics and military and government officials, and international companies. Members are actively connected to international and strategic affairs through the Institute's research programmes and have access to its opinion-shaping analysis through publications, events, member briefings and international conferences. Individual members are part of a unique global network supporting the work of the IISS and extending the Institute's reach in the world of international affairs, whilst IISS Corporate Membership is designed to enable corporations and institutions to stay on top of world events by giving them a thorough understanding of international affairs, security issues and geopolitical and military conflicts, and to aid their strategic decision-making. The Institute invites its membership to participate in events held in its offices as well as international conferences held annually.

The Institute holds a large number of discussion meetings each year for its members at its London headquarters and overseas offices in Washington DC, Bahrain and Singapore, featuring IISS and guest speakers. During this past year, in response to the restrictions introduced in response to the COVID-19 pandemic, the Institute increased the number of webinars held which has in turn expanded its global audience. Events that attracted notable interest over the past year included:

In a wide-ranging discussion, US Secretary of Defense Dr Mark Esper outlined the US vision for how to advance security and prosperity in the Indo-Pacific. He explained the initiatives and military developments that it is working on as part of the three pillars of its Indo-Pacific Strategy, which are based on preparedness, strengthening partnerships and promoting a more networked region.

Kanehara Nobukatsu, IISS Japan Chair Robert Ward and Yuka Koshino discussed what Japan's grand strategy should be to navigate the significant security and economic challenges it faces as it enters the Reiwa era. Kanehara Nobukatsu is Professor of Doshisha University's Faculty of Law and served as Assistant Chief Cabinet Secretary to Prime Minister Abe Shinzo from 2012 to 2019.

Alongside IISS researchers from the Cyber, Space and Future Conflict programme, Professor Richard Harknett, Chair of the Center for Cyber Strategy and Policy, and Dr Max Smeets of the Center for Security Studies, examined strategic cyber competition and explained how the adoption of a different approach can pivot both explanation and policy prescription. They argued that great powers (China and Russia) believe they can change the strategic balance of power through their cyber campaigns.

A webinar, hosted in association with the Royal Navy Strategic Studies Centre, which considered how the UK is on the cusp of a step change in its maritime air power capabilities. Vice Admiral Jerry Kyd and Air Marshal Gerry Mayhew discussed how the role of these capabilities will develop in light of unfolding global strategic dynamics and challenges, and against the backdrop of the UK government's ambitions for its integrated review into security, defence, development and foreign policy.

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

For the year ended 30th September 2020, total incoming resources were £17,016,000 (2019: £24,537,000). The primary reason for the higher income reported in 2019 was the receipt of expendable endowment funding of £6,015,000 in support of a Japan Chair, in addition to reduced income recognised in 2020 with only one Dialogue convened this year and fewer research workshops and lectures held during the year due to the COVID-19 pandemic restrictions. Funded research events have either been converted into alternative project deliverables or rescheduled until next financial year.

Total resources expended for the year were £16,609,000, compared to £18,617,000 in 2019, which reflected the reduced conference and workshop activity as a result of the COVID-19 pandemic.

After accounting for net losses on investment assets of £53,000 (2019: £81,000 gains); foreign exchange losses of £34,000 (2019: £48,000 gains); and actuarial losses on the defined benefit pension scheme of £56,000 (2019: £532,000); the net movement in funds for the year was a surplus of £264,000 (2019: £5,517,000).

As at 30th September 2020, there was a liability on the defined benefit pension scheme of £741,000 (2019: £716,000). The IISS remains committed to reducing the pension liability through deficit funding plan payments of £48,000 per year.

Net cash outflow totalled £1,207,000 for the year (2019: £5,101,000 inflow), leaving total cash balances, including portfolio cash, of £6,147,000 at the year-end (2019: £7,354,000).

The group reported an improved net current asset position of £748,000 (2019: £235,000). Total net assets as at 30th September 2020 increased to £23,974,000 (2019: £23,710,000).

Reserves

'Free reserves' are defined as unrestricted funds excluding designated funds and funds represented by tangible fixed assets, other than those financed by external loans.

The Institute's reserves policy has been determined by the Trustees after considering current and projected income streams and the Institute's expenditure profile. To ensure that the Institute is able to successfully meet its objects, the Trustees aim to hold free reserves equivalent to between 3 and 6 months operating expenditure. This target level of reserves will mitigate the risk of income fluctuations causing delays or cancellations to any expenditure commitments and ensure that planned activities can be completed. Furthermore, in the event of a significant drop in income levels there will be sufficient reserves in place to implement any necessary organisational changes.

As at 30th September 2020, the Institute held free reserves of £5,305,000 (2019: £4,822,000) which equated to approximately 5 months (2019: 4 months) of operating expenditure associated with unrestricted funds. Free reserves comprise IISS unrestricted general funds of £18,212,000, less tangible and intangible fixed assets of £13,648,000 and excluding the pension liability of £741,000. At 30th September 2020, IISS restricted funds totalled £71,000 (2019: £17,000) and endowment funds totalled £5,691,000 (2019: £5,898,000). The Trustees continue to review the reserves policy in line with the Institute's financial resources.

Investment Policy and Performance

Cazenove Capital Management Ltd. manages the Institute's investment portfolio. As at 30th September 2020, the market value of the main portfolio was £4,629,000 (2019: £4,594,000) and the asset allocation was: UK equity funds, 13% (2019: 16%); UK fixed-interest funds, 7% (2019: 7%); International fixed-interest funds, 5% (2019: 4%); International equity funds, 46% (2019: 41%); Portfolio funds 28% (2019: 28%) and Cash 1% (2019: 3%). Investment income for the year to 30th September 2020 from this portfolio amounted to £84,000 (2019: £96,000).

The overall investment objective is to maximise the total return on the portfolio to achieve several percentage points above inflation, in line with constraints over risk. Portfolio performance and asset allocation are closely monitored by the Investment Committee in conjunction with the portfolio managers. The Institute considers the portfolio to be a long-term investment fund and operational cash flow demands are met by alternative funding sources. The Investment Committee has adopted a diversified asset allocation strategy in keeping with its appetite for moderate risk. At 30th September 2020, portfolio returns over the previous year, three years, and five years as compared to benchmark, which was recently agreed as 100% UK CPI +4%, and the FTSE All Share were as follows:

Total Returns	1 year %	3 years p.a. %	5 years p.a. %
Portfolio	0.7	3.0	6.4
Benchmark	4.3	5.6	5.8
FTSE All Share	-16.6	-3.3	3.4

In June 2019, the Institute invested £5.9m in a new expendable endowment fund managed by Cazenove, a Charity Multi-Asset Fund (CMAF). The CMAF generates an annual pay-out of 4% and enables the Institute to drawdown the approved funds required to meet all costs associated with the Japan Chair research position. As at 30th September 2020, the market value of the Japan Endowment Fund was £5,691,000 (2019: £5,907,000) and the asset allocation was Charity Multi-Asset Fund (CMAF) 100% (2019: 48%), of which 68% was equities (2019: 63%), and Cash 0% (2019: 52%).

The IISS and the Economic Climate

The Institute's Dialogue activities and publications are protected by multi-year agreements that provide guaranteed levels of income.

As referenced above, the Institute has received expendable endowment funding in support of a Japan Chair providing guaranteed financial support for a senior research post.

The Institute's commercial trading subsidiary, Arundel House Enterprises Limited (AHEL), experienced difficult commercial trading conditions as a result of the COVID-19 pandemic restrictions but minimised any losses with a low fixed cost base.

The impact of the COVID-19 pandemic and political events such as Brexit uncertainty on financial and currency market instability resulted in a more moderate performance by the investment portfolio. The Investment Committee continues to monitor closely its diverse portfolio of investment funds that includes non-sterling denominated exposure in equities and bonds.

The Institute naturally hedges its foreign currency transactions, minimising conversion as far as possible to avoid exchange rate losses. The IISS continues to benefit from consistently low interest rates which determine the cost of borrowing for the Institute's short-term money market funding.

Financial health

As outlined in the Financial Review, the Trustees consider the Institute's financial health to be sound. As at 30th September 2020, the Institute held investment assets totalling £10.3 million and cash on the balance sheet of £6.1m with no loan liabilities, compared to investment assets of £5.5 million, £1.5m of cash and a building loan liability of £5.5 million in 2010, demonstrating a clear strengthening in the Institute's financial position over the past 10 years.

As a result of the income security provided by the diverse revenue sources and multi-year funding arrangements outlined above, and considering budgets and forecasts covering the period to 30th September 2023, the Trustees are confident that the Institute can be considered a going concern for the foreseeable future. Accordingly there are no material uncertainties surrounding the preparation of the financial statements on a going concern basis. The global nature of IISS operations and funding sources has also contributed towards further income diversity that has helped to mitigate risk during this time of continued economic uncertainty.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the Institute, and are satisfied that systems are in place to manage exposure to the major risks. The COVID-19 pandemic has been specifically considered and measures to mitigate against its impact on IISS activities and finances are detailed below. The Trustees are satisfied that, as a result of the Institute's response to the pandemic, there has not been any material financial loss arising from COVID-19 and the risk of such a loss in 2021 is low.

The most significant potential risks, as identified by the Institute's Risk Register, are actively managed in the following manner:

Damage to the Institute's reputation	As reiterated in the Institute's 'Statement of Values' and 'Policy on financial transparency confidentiality and effectiveness', the IISS firmly states and demonstrates its commitment to independence and excellence when conducting all activities. Staff training in place to ensure awareness and understanding of the Institute's policy. Trustee oversight over potential donors and funding sources. Despite COVID-19 restrictions, IISS has continued to meet contractual obligations and funder expectations by successfully converting activities into hybrid and virtual events or agreeing alternative deliverables.
A material weakening in the Institute's financial position and funding levels	Continued efforts to diversify revenue streams to ensure no over-reliance on one source of income. Multi-year agreements in place for key funders. Ability to adapt project deliverables in COVID-19 environment to ensure agreement terms can be fulfilled and funding retained. Liquidity and foreign exchange positions are monitored regularly through weekly cash flow forecasts and external currency specialists. A well-diversified investment portfolio mitigates risk in the event of poor performance of any one asset class. A three-year forecasting and response-planning model is updated regularly and monitored by the Trustees.
A major failure of the Institute's IT systems caused by internal or external factors	Principal systems, architecture and software (including cloud servers, fail-over, disaster recovery, and protective programmes) have been designed drawing on external professional advice to provide best practice stability and security. In recognition of the increasing cyber threat, additional security measures have been introduced to detect and counter attacks.
Failure to maintain the existing high level of Institute staff expertise	Retention measures in place including competitive pay, benefits and working conditions. Competency framework ensures well-structured performance and development reviews. Consulting Fellows and membership base to draw on when in-house expertise not available. Adapted working practices to enable staff to work from home and introduced COVID-19 safety measures across all offices.

In addition to the review of the risk register by senior management, the Audit Committee and the Trustees, financial performance is evaluated at the Trustee meetings held four times each year. The Institute's investments and financial resources are monitored by the Investment Committee, which meets four times a year. Ongoing internal controls over these risks, as well as measures to mitigate exposures and financial loss, are exercised on a daily basis by the Institute's Directing staff.

FUTURE PLANS

Looking ahead, the IISS remains focused on its mission to shape and enable strategic discussion and inter-governmental dialogue, and to provide impartial analysis on major international security issues as a means of informing the public debate and assisting conflict resolution and prevention. The Institute will continue to fulfil this mission through its primary activities of research, dialogues, conferences, lectures, publications, online databases and outreach to governments, the private sector

and the expert and opinion-forming communities. The main objectives for the forthcoming year ending 30th September 2021 are:

- **Research** – the Institute will continue to produce new research and analysis under the rubrics of War, Power and Rules. Under War, the IISS will address the changing shape of conflict, cyber and space warfare, and the security-development nexus, as well as refining the state of the art of defence economics and conflict monitoring. The Power stream will include geo-economics and strategy, the strategic consequences of China's Belt and Road Initiative, economic and financial sanctions in a multipolar system, changing regional alliances, and the use of influence networks by challenger states such as Iran and Russia. The Rules stream will address the role of international law in a post-Western world, especially with regard to refugees, asylum seekers and armed conflict. It will also consider arms control and non-proliferation in the fields of AI, robotics and unmanned vehicles, and international action to combat and mitigate the effects of climate change.
- **Digital content** - The central goal for 2021 is to build upon the Military Balance Plus database sales success to date and continue to grow the wide range of customers in government, the private sector, and the analytical community in order to generate a strong revenue stream to support IISS research and the Institute's overall mission. Additionally, the Institute will continue to develop other forms of digital content, such as interactive maps, as alternative means to present the Institute's research and analysis and engage more widely with IISS stakeholders.
- **Overseas offices** – Investment in its international offices and staff remains a priority to ensure that all research activity is infused with both local and regional expertise yet blended with an international perspective, while also reaching the widest possible audience and engaging a new generation of young analysts internationally. During next year, the priority will be the establishment of a professionally staffed office in Berlin and the successful delivery of an extensive programme of research from that office which will deepen IISS engagement with European powers, expand the IISS analytical footprint in Berlin, and play an active part in shaping the security and defence debate in Germany and the EU.
- **Fundraising** – During 2021, the Institute will continue in its efforts to identify opportunities for major annual gifts or for the establishment of expendable research endowments at the IISS to support pertinent research positions.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Institute is governed by Articles of Association lodged with the Registrar of Companies and the Charity Commission for England and Wales.

The Institute's Articles of Association reflect current best practices and the requirements of the Companies Act 2006 and recognise the fiduciary responsibilities carried by the Institute's Trustees. Revised Articles of Association were formally adopted by the Board of the Trustees on 9th April 2019, and lodged with the Charity Commission on 2nd May 2019.

The Trustees constitute Directors for the purposes of the Companies Act, and act as Trustees for the purposes of the Charities Act. As required by the Articles of Association, all are Members of the Institute. They receive no remuneration for their services. Upon appointment new Trustees are provided with an induction pack, which includes copies of the Institute's governing documents as well as information about the Institute's activities and finances. Training is available for all Trustees at any time as required.

In accordance with the Articles of Association, a Trustee can be elected by ordinary resolution or by a decision of the Trustees. A new Trustee may be proposed and considered for election by existing Trustees. The Trustees delegate the exercise of certain powers in connection with the administration of the Institute as set out below.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2020

The Trustees are aware of the Charity Governance Code published in 2017 which sets out the principles and recommended practice for good governance within the sector. The Institute has reviewed its current governance arrangements against the principles within the code and addressed any issues raised where required.

Audit Committee

The task of monitoring the Institute's financial control systems and the management of major risk is delegated to the IISS Audit Committee. The current membership of the Audit Committee is:

Chris Jones (Chair of Committee & Honorary Treasurer)
Catherine Roe
Jens Tholstrup
Matt Symonds

Investment Committee

The IISS Investment Committee is empowered to receive advice from the Investment Managers and to vary the investment policy at any time. The current membership of the Investment Committee is:

Chris Jones (Chairman of Committee & Honorary Treasurer)
Grace Skaugen
Jens Tholstrup
Matt Symonds

Trustee Remuneration and Employment Committee

The IISS Remuneration Committee is responsible for the annual review of the Director-General and Chief Executive's remuneration package, with oversight of the Institute's overall human resources policies. The current membership of the Remuneration Committee is:

Bill Emmott (Chair of Committee and Chair of the IISS Trustees)
Chung Min Lee (Vice-Chair of the IISS Trustees)
Chris Jones (Honorary Treasurer)
Caroline Atkinson

Donation Acceptance Committee

The IISS Donation Acceptance Committee was formed in 2018 to assist the Trustees in fulfilling their responsibilities for the financial health, ethical standards and global reputation of the IISS when considering the acceptance of philanthropic donations. The membership of the Committee at year-end was:

Catherine Roe
Dr John Hobart (Director of Operations)
Sally Taylor (Director of Finance)

Subsequent to the year-end, it was agreed that the review of philanthropic donations should be aligned with existing review processes for all other IISS funding sources, and would fall to all Trustee members. The Committee was disbanded with effect from January 2021.

Director-General and Chief Executive

The Director-General and Chief Executive is responsible for the day-to-day management of the Institute's affairs and for implementing policies agreed by the Trustees. The Director-General and Chief Executive is assisted by senior management.

Remuneration Policy

The IISS's remuneration policy and practices reflect the Institute's objectives of good governance combined with the need to attract and retain the best talent internationally. This policy aims to support the sustained growth and development of the Institute and its employees and to ensure that the Institute is able effectively to carry out its mission to provide objective information and analysis on geopolitical change as well as facilitate conflict resolution and the maintenance of international peace and security.

The Institute's Staff Remuneration Committee, which consists of the Director-General and Chief Executive; the Director of Finance; and the Director of Human Resources, carries out an annual salary review with increases awarded for individual performance linked to a 'competency framework'. This review incorporates IISS key management personnel, with the exception of the Director-General and Chief Executive. Salaries are positioned between the upper end of the charitable sector and middle of the corporate sector. A review of market rates with reference to available salary surveys is undertaken regularly.

As referenced above, the IISS Trustee Remuneration and Employment Committee annually reviews the remuneration package of the Director-General and Chief Executive and the Institute's overall human resources policies, including salary rates and staff benefits.

Remuneration packages may consist of fixed elements such as salary, pension, life assurance and private medical insurance; and a variable element of a discretionary performance-based bonus payment. Employee benefits are reviewed annually.

The Trustees are invited to approve annually the staffing and salary budget and forecast for the year. This includes senior management. No Trustees are remunerated but travel expenses are reimbursed.

Public Benefit

The Trustees have given due consideration to the Charity's Commission's published guidance on the Public Benefit Requirement under the Charities Act 2011.

The beneficiaries of the Institute include individuals and organisations within the political, diplomatic, defence and academic fields, the public in general, international agencies and governments worldwide. The interests and concerns of these groups are constantly evolving and the charity's development is influenced by the need to continue to address their current interests and concerns. As clearly evidenced in this report, the Institute has successfully reached these audiences during the year under review.

In the UK, the Institute's staff has regularly provided facts and evidence-based analysis on geo-strategic and geo-economic trends to key members of the expert media, parliamentarians, civil servants and ministers. Internationally, the Institute has provided unique defence diplomatic platforms in the Middle East and Asia that have facilitated high level consultations on defence issues and conflict resolution that has also engaged Europeans and North Americans. It has published evidence-based research that numerous governments have found added value to their internal assessments. The Institute has also briefed various inter-governmental organisations, including NATO and the EU, on important issues of public policy. It continues to put into the public domain the best available information on a wide range of international issues to ensure a more informed public debate.

Group Structure

IISS Middle East

The IISS Middle East branch office in Manama, Bahrain was established as a base for the Institute's many research programmes and activities throughout the region and serves to connect IISS activities in Europe, North America and Asia with those in the Middle East. Since its foundation in May 2010,

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2020

the office has built a strong cohort of experts and administrative staff who work closely with the entire IISS global network to provide not just first class information and analysis on Middle East and broader international strategic issues, but also strengthen links between the strategic community in the Middle East and those in other parts of the world.

Since 2004 the IISS has held annually the IISS Regional Security Summit: The Manama Dialogue in Bahrain. Full details of the Dialogue can be found on page 7.

The International Institute for Strategic Studies - US (IISS-Americas)

IISS-Americas is a branch of the IISS located in Washington DC. During the year, IISS-Americas continued its efforts to engage and expand the IISS membership base in the region, promote IISS activities and research to a North American audience of government leaders and policy shapers, and cultivate relationships with US policy makers to ensure strong US representation at the Dialogues. IISS-Americas held a number of well-attended speaker and discussion events in Washington DC and New York, prior to pandemic restrictions, and responded to the new environment with a series of well-supported webinars on diverse topics leveraging international IISS researcher expertise and reaching a global audience. This has served to build on the previous reputation of IISS-Americas as representing a vibrant, international, intellectual community.

Arundel House Enterprises Limited (AHEL)

AHEL is a wholly-owned trading company with revenue arising from the letting of facilities and provision of event catering at Arundel House and Bloomsbury House, prior its lease ending in March 2020, and the provision of Consultancy services. The company reported a small loss for the year of £430 (2019: £11,000 profit).

The International Institute for Strategic Studies (Asia) Limited (IISS-Asia) and the Strategic Studies Fund (SSF)

IISS-Asia is a company limited by guarantee registered in Singapore. In January 2020, IISS-Asia again convened the IISS Fullerton Forum: Shangri-La Dialogue Sherpa Meeting, an important inter-sessional activity of the Shangri-La Dialogue process. As detailed on pages 6-7, the Institute was unfortunately unable to convene the Shangri-La Dialogue this year due to the COVID-19 pandemic and was only able to host one Fullerton Lecture. However, despite the restrictions resulting from the pandemic, IISS-Asia continued most of its other activities as normal. Notably, IISS-Asia research staff edited the annual *Asia-Pacific Regional Security Assessment* and organised and participated in IISS webinars on Asia-Pacific security. IISS-Asia also took the lead in recruiting and servicing IISS corporate and individual members in Singapore, Southeast Asia and the wider Asia-Pacific region.

The SSF is a trust fund established in Singapore for the purpose of raising funds to be applied in Singapore towards activities relevant to the objectives of the Institute and of benefit to the Singapore community. The results for IISS-Asia and the SSF are consolidated on the basis that the Institute holds a majority of the voting rights in IISS-Asia and has ultimate discretion over the disbursement of SSF funds and over its activities.

IISS India Organisation – (IISS-India)

IISS-India is a non-profit subsidiary of IISS with its registered office in New Delhi. It was established in August 2014 to assist in the expansion of IISS activities and reach in India and the South Asia region.

IISS Europe gemeinnützige GmbH (IISS-Europe)

On 4th November 2019, IISS-Europe was incorporated as a non-profit subsidiary of IISS with its registered office in Berlin, established to deepen IISS engagement with European powers, expand its analytical footprint in Berlin and play an active part in shaping the security and defence debate in Germany and the EU. During 2021, the IISS-Europe office presence will be expanded to include

research and operational staff in support of a broad five year research programme on Power shifts and the evolving international order: Strategic challenges for Germany and Europe.

Statement of Trustees' Responsibilities

The Trustees (who are also directors of The International Institute for Strategic Studies for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and accounting standards (FRS102).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Trustees at the date of this report is aware, there is no relevant audit information of which the charity's auditor is unaware. Each Trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

Corporate Governance

Processes are in place to ensure that performance is monitored and that appropriate management information is prepared and reviewed regularly by both the executive management and the Trustees.

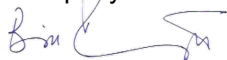
The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- an annual budget approved by the Trustees;
- regular consideration by the Trustees of both financial and non-financial results; and
- delegation of day-to-day management authority and segregation of duties.

Auditors

Crowe U.K. LLP has indicated its willingness to be reappointed as statutory auditor.

The Strategic Report and Report of the Trustees was approved by the Trustees in their capacity as Company Directors on 17 February 2021 and signed on their behalf by:



Bill Emmott
Chair of the Trustees

Independent Auditor's Report to the Members of The International Institute for Strategic Studies

Opinion

We have audited the financial statements of The International Institute for Strategic Studies for the year ended 30 September 2020 which comprise the Statement of Financial Activities, Consolidated and Charity Balance sheets, 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 the charitable company's affairs as at 30 September 2020 and of the group's incoming resources and application of resources, including its income and expenditure 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 Companies Act 2006.

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 in accordance with the ethical requirements that are 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 relating 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's or the charitable company'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 Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the Trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent company has not kept adequate accounting records; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statements, the Trustees (who are also the directors of the charitable company for the purposes of company law) 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 or the charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 on the Financial Reporting Council's website at: 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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Tim Redwood
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

9 March 2021

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2020

REFERENCE AND ADMINISTRATIVE DETAILS

The International Institute for Strategic Studies, also known as the IISS, is a registered charity and a company limited by guarantee. The liability of each Board of Trustees member under the guarantee does not exceed the sum of £1.

Registered Office Arundel House
6 Temple Place
London
WC2R 2PG

Company Number 615259

Charity Number 206504

Trustees

Chair Bill Emmott

Vice-Chair Chung Min Lee

Hon Treasurer Chris Jones

Professor Dr Kurt Lauk
Jens Tholstrup
Catherine Roe
Matt Symonds
Matthew J Symonds
Caroline Atkinson
Dr Grace Skaugen

During the year under review, there were no Trustee changes.

For clarification purposes, the Institute has appointed two Trustees with the name Matthew (Matt) J Symonds.

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2020

Executive Directing Staff

<i>Director-General and Chief Executive</i>	Dr John Chipman
<i>Deputy Director-General</i>	Dr Kori Schake (resigned 23 rd January 2020)
<i>Director of Editorial</i>	Dr Nicholas Redman (resigned 1 st November 2019)
<i>Director of Geo-Economics; Japan Chair</i>	Dr Robert Ward (appointed 1 st December 2019)
<i>Director of Defence and Military Analysis</i>	Dr Bastian Giegerich
<i>Director of Finance</i>	Sally Taylor
<i>Director of Operations</i>	Dr John Hobart
<i>Director of HR</i>	Jane Graham
<i>Executive Director, IISS-Asia</i>	Dr Tim Huxley
<i>Executive Director, IISS-Middle East</i>	Sir Thomas Beckett
<i>Executive Director, IISS-Americas</i>	Ernest J Herold (appointed 1 st July 2020)

Agents and Advisers

Legal Advisers

Stone King Sewell LLP,
13 Queen Square, Bath BA1 2HJ

Bankers

HSBC Bank plc, 60 Queen Victoria Street,
London EC4N 4TR

Investment Managers

Cazenove Capital Management (part of Schroder &
Co. Limited),
12 Moorgate, London EC2R 6DA

Pension Fund Managers

Mobius Life,
7th Floor, 20 Gresham Street, London EC2V 7JE

Pension Consultants

JLT Benefit Solutions,
The St Botolph Building, 138 Houndsditch, London
EC3A 7AW

Auditors

Crowe U.K. LLP, 2nd Floor,
55 Ludgate Hill, London EC4M 7JW

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2020

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating an income and expenditure account)

Year ended 30th September

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2020 £'000	Total Funds 2019 £'000
Income from:						
<i>Donations</i>	2	2,941	-	-	2,941	9,036
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	3	5,880	-	-	5,880	7,560
Research programmes	3	802	3,677	-	4,479	4,463
Publications		1,445	-	-	1,445	1,282
Membership		1,593	-	-	1,593	1,422
<i>Other trading activities</i>		396	-	-	396	527
<i>Investments</i>		84	173	-	257	99
<i>Capital applied to income</i>		-	187	(187)	-	-
<i>Other income</i>		25	-	-	25	148
Total		13,166	4,037	(187)	17,016	24,537
Expenditure on:						
<i>Raising funds</i>		138	-	-	138	201
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	4	4,884	-	-	4,884	5,371
Research programmes	4	3,821	3,983	-	7,804	7,919
Publications	4	2,823	-	-	2,823	3,883
Membership	4	564	-	-	564	726
<i>Other trading activities</i>		396	-	-	396	517
Total		12,626	3,983	-	16,609	18,617
Net (losses)/ gains on investments	17	(33)	-	(20)	(53)	81
Net income/ (expenditure)		507	54	(207)	354	6,001
Transfers between funds	12	-	-	-	-	-
Other recognised gains/(losses):						
Foreign exchange (losses)/ gains		(34)	-	-	(34)	48
Actuarial (losses) on defined benefit pension schemes	14	(56)	-	-	(56)	(532)
Net movement in funds		417	54	(207)	264	5,517
Funds brought forward at 1 October 2019	12	17,795	17	5,898	23,710	18,193
Funds carried forward at 30 September 2020	12,13	18,212	71	5,691	23,974	23,710

All amounts relate to continuing operations and, as all gains and losses are included, a separate statement of total recognised gains and losses has not been presented.

The notes on pages 26 to 46 form part of these accounts

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2020

CONSOLIDATED BALANCE SHEET (Company Number 615259)

As at 30th September

	Notes	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	6	423	611
Tangible assets	7	13,225	13,078
Investments	8	10,319	10,502
Total Fixed assets		23,967	24,191
Current assets:			
Debtors	9	2,170	2,017
Cash at bank and in hand		6,098	4,322
Total Current assets		8,268	6,339
Liabilities:			
Creditors: Amounts falling due within one year	10	(7,520)	(6,104)
Net current assets / (liabilities)		748	235
Total assets less current liabilities		24,715	24,426
Net assets excluding pension liability		24,715	24,426
Defined benefit pension liability	14	(741)	(716)
Total net assets	13	23,974	23,710
The Funds of the charity			
Expendable endowment funds	12	5,691	5,898.00
Restricted income funds	12	71	17
Unrestricted income funds	12	18,953	18,511
Pensions reserve	12	(741)	(716)
Total unrestricted funds	13	18,212	17,795
Total charity funds	13	23,974	23,710

The consolidated balance sheet includes the assets, liabilities and funds of The International Institute for Strategic Studies (Asia) Limited, Arundel House Enterprises Limited, IISS India Organisation, IISS Europe gemeinnützige GmbH, and the Strategic Studies Fund.

The accounts were approved and authorised for issue by the Trustees on 17 February 2021 and signed on their behalf by:



Bill Emmott
Chair of the Trustees

The notes on pages 26 to 46 form part of these accounts

The International Institute for Strategic Studies

Annual Report and Financial Statements for the year ended 30th September 2020

CHARITY BALANCE SHEET (Company Number 615259)

As at 30th September

	Notes	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	6	423	611
Tangible assets	7	13,184	13,042
Investments	8	10,319	10,502
Total Fixed assets		23,926	24,155
Current assets:			
Debtors	9	1,530	1,887
Cash at bank and in hand		2,895	2,744
Total Current assets:		4,425	4,631
Liabilities			
Creditors: amounts falling due within one year	10	(4,807)	(4,865)
Net current liabilities		(382)	(234)
Total assets less current liabilities		23,544	23,921
Net assets excluding pension liability		23,544	23,921
Defined benefit pension liability	14	(741)	(716)
Total net assets		22,803	23,205
The Funds of the charity			
Expendable endowment funds	12	5,691	5,898
Restricted income funds	12	75	21
Unrestricted funds	12	17,778	18,002
Pensions reserve	12	(741)	(716)
Total unrestricted funds	13	17,037	17,286
Total funds including pensions reserve	13	22,803	23,205

The unconsolidated deficit incurred by the Charity in 2020, after taking into account foreign exchange and actuarial gains and losses, was £402,000 (2019: surplus of £5,649,000)

The accounts were approved and authorised for issue by the Trustees on 17 February 2021 and signed on their behalf by:



Bill Emmott
Chair of the Trustees

The notes on pages 26 to 46 form part of these accounts

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30th September

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Cash flows from operating activities:					
Net cash (used in) / provided by operating activities	17		2,188		2,374
Cash flows from investing activities:					
Dividends, interest and rents from investments		257		99	
Purchase of property, plant and equipment		(577)		(256)	
Proceeds from sales of property, plant and equipment		-		-	
Purchase of software and website costs		(222)		(140)	
Purchase of investments		(3,404)		(3,644)	
Proceeds from sales of investments		551		653	
Net cash (used in) provided by investing activities			(3,395)		(3,288)
Cash flows from financing activities:					
Endowment funds		-		6,015	
Net cash provided by (used in) financing activities			-		6,015
Change in cash, cash equivalents and net debt in the year			(1,207)		5,101
Cash, cash equivalents and net debt at the beginning of the reporting period			7,354		2,253
Cash, cash equivalents and net debt at the end of the reporting period	18		6,147		7,354

The notes on pages 26 to 46 form part of these accounts

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Status

The Institute is a registered charity and a company limited by guarantee, incorporated in England and Wales. Its registered office address is Arundel House, 6 Temple Place, London WC2R 2PG. The Trustees constitute Directors for the purposes of the Companies Act and act as Trustees for the purposes of the Charities Act. The charity is a Public Benefit Entity.

b) Accounting convention

The accounts of the Charity and the Group have been prepared under the historical cost convention as modified by the revaluation of investments and in accordance with FRS102. The accounts are prepared in accordance with the Companies Act, and the current Statement of Recommended Practice: 'Accounting and Reporting by Charities' (SORP). The functional and reporting currency of the Group is GBP.

Basis of consolidation

The accounts include the assets, liabilities and funds, and the statement of financial activities of the charity and its subsidiary undertakings. Subsidiaries' activities are consolidated on a line by line basis. A separate statement of financial activities has not been prepared for the Charity alone as permitted by Section 408 of the Companies Act 2006.

Financial health

As outlined in the Financial Review, the Trustees consider the Institute's financial health to be sound. As at 30th September 2020, the Institute held investment assets totalling £10.3 million and cash on the balance sheet of £6.1m with no loan liabilities, compared to investment assets of £5.5 million, £1.5m of cash and a building loan liability of £5.5 million in 2010, demonstrating a clear strengthening in the Institute's financial position over the past 10 years.

As a result of the income security provided by the diverse revenue sources and multi-year funding arrangements outlined above and considering budgets and forecasts covering the period to 30 September 2023, the Trustees are confident that the Institute can be considered a going concern for the foreseeable future. Accordingly there are no material uncertainties surrounding the preparation of the financial statements on a going concern basis. The global nature of IISS operations and funding sources has also contributed towards further income diversity that has helped to mitigate risk during this time of continued economic uncertainty.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in this note, trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

Significant areas of estimate and judgement include provisions, income recognition, and assumptions used to value the defined benefit pension scheme and the remaining useful life of assets. Related accounting policies for these items are noted below. The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the presentation of the financial statements are as follows:

c) Investments

All investments are valued at their mid-market value at the balance sheet date, which gives rise to unrealised gains and losses. The differences between the carrying value (or cost if acquired during the year) and the proceeds of liquidated investments are identified as realised investment gains or losses. Realised and unrealised gains and losses are presented net in the Statement of Financial Activities.

Investment income and related tax credits are accounted for when received.

d) Restricted funds

Restricted funds are funds subject to specific restrictive conditions imposed by donors or by the purpose of the funds raised.

e) Expendable Endowment funds

The expendable endowment fund is treated as capital until the right to transfer funds to income and expend in accordance with the donor conditions has been granted.

f) Tangible fixed assets and depreciation

Furniture, fittings and equipment acquisitions are stated at cost. Freehold buildings are stated at cost. Depreciation is charged when assets are brought into use. The following depreciation policies are applied consistently across the group over the useful economic lives of the assets on a straight line basis:

- i) Computers, printers and other electronic equipment with functional unit costs in excess of £1,000 are depreciated over a period of three years.
- ii) Furniture, fittings and equipment of a non-electronic nature with unit costs in excess of £250 are depreciated over a period of five years.
- iii) Plant and machinery items with unit costs in excess of £1,000 are depreciated over a period of ten years.
- iv) Leasehold improvements with unit costs in excess of £1,000 are depreciated over the life of the lease.
- v) Freehold Building improvements with unit costs in excess of £1,000 are depreciated over a period of fifteen years.
- vi) Freehold building depreciation is charged at 1% using the straight line basis.

No depreciation is charged on freehold land or on assets in the course of construction.

g) Intangible fixed assets and amortisation

Website costs and software acquisitions are stated at cost. Amortisation is charged when assets are brought into use. The following amortisation policy is applied consistently across the group:

- i) Software and website costs in excess of £1,000 are depreciated over their useful economic lives on a straight line basis over a period of three years.

No amortisation is charged on assets in the course of development.

h) Debtors

Debtors are stated in the balance sheet at estimated net realisable value, being the invoiced amount less any provision for bad and doubtful debtors. Provisions are made specifically against debtors where there is evidence of a dispute or an inability to pay. An additional provision is made against older balances.

i) Cash at bank and in hand

Cash includes cash-in-hand, cash-at-bank and bank overdrafts. Bank loans are included within Creditors.

j) Creditors

Trade and other creditors: Trade and other creditors are stated at cost.

k) Foreign currency

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

Foreign currency subsidiaries are translated into UK£ Sterling on the following basis:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at average exchange rates for the financial year; and
- all resulting exchange differences are taken to the Statement of Financial Activities.

l) Publications and membership income

Publications revenue advanced to the Institute under agreement with the publishers is recognised during the financial year in which the sale arises. An estimate of additional royalty income due up to 30 September 2020, to be received in early 2021, has been made in these financial statements.

Membership income is recognised on the subscription period start date. Any income invoiced in advance of the subscription period start date is deferred and recognised in the relevant accounting year.

m) Grants

Research grants are credited to the Statement of Financial Activities in accordance with the progress and performance of the grant programme activities. Income for Dialogues is recognised to the extent that the event has been planned and progress work completed in line with the contract.

When donors specify that grants are for particular restricted purposes, this income is included in incoming resources of restricted funds.

n) Deferred income

Income is deferred to future periods where the donor has placed an external restriction that the income should be used in those future periods or where the Institute has not fully earned entitlement to that income.

o) Expenditure

Expenditure is classified under the principal categories of Raising Funds, Charitable Activities, Commercial Activities Operating Expenditure and Financing Costs.

Charitable activities costs comprise all expenditure directly related to the objects of the Institute including direct staff costs attributable to each activity, together with a corresponding apportionment of central support costs.

Support costs are apportioned to charitable activities by a method based on the average headcount of employees allocated to each activity for the financial year.

Knowledge and Information expenses are included within support costs.

Financing Costs comprise those costs directly attributable to investment managers' fees/commissions and borrowing costs incurred in relation to financing.

Raising Funds comprise those costs directly attributable to fundraising activities.

Other Trading Activities Operating Expenditure comprise all costs incurred by Arundel House Enterprises Limited in delivering its catering, event and consultancy activities.

Expenditure is accounted for on an accruals basis.

The trustees have considered the policy adopted for accruing bonuses during the year and have concluded that a constructive obligation will only be deemed to exist when a bonus has been approved by the Remuneration Committee and communicated to the recipient. The previous policy deemed that the IISS's past practice created a constructive obligation. The impact on the prior year Statement of Financial Activities and Balance Sheet is not material but the prior year bandings in note 5 have been restated to reflect the change in policy.

p) Leasing

Rental costs under operating leases are charged to the Statement of Financial Activities in equal amounts over the period of the leases.

q) Pension costs

The Institute maintains a contributory defined benefit pension scheme which was closed to new entrants in 2001. The assets of the scheme are held separately from those of the Institute being invested in managed funds. The pension scheme is accounted for in accordance with FRS102 Retirement Benefits.

The Institute has defined contribution pension schemes which are open to all employees and also contributes to the personal pensions of some employees. Contributions to the scheme are accounted for when payable. Further details of all pension schemes can be found in Note 14.

r) Redundancy and termination payments

Redundancy and termination payments only occur when absolutely necessary as the Institute seeks to minimise organisational change. When redundancy or termination payments do arise, they are charged on an accruals basis and included with Staff Costs.

s) Knowledge and Information Services

The Knowledge and Information Services (formerly the Library) holds a comprehensive collection of books, journals, pamphlets and online resources covering a broad range of current international relations, security and defence topics. The collection is regularly updated for continued use by IISS research staff. New publications are expensed through the SoFA and the library does not hold any valuable publications which may require inclusion on the Balance Sheet.

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2 Donations

	2020 £'000	2019 £'000
Donation in support of the IISS-Middle East office and related research activities	2,911	2,909
Endowment in support of establishing a Chair in Japanese Security Studies	-	6,015
Other	30	112
	2,941	9,036

3 i) Dialogues, conferences and lecture series

	2020 £'000	2019 £'000
Manama Dialogue	3,943	3,618
Shangri-La Dialogue	1,899	3,615
Geo-Economics and Strategy Programme	-	34
EU Non-proliferation and disarmament conference	-	64
Lecture series	38	229
	5,880	7,560

Funding for dialogues, conferences and lecture series received during the year from UK and international Governments totalled £5,832,000 (2019: £6,203,000).

3 ii) Research programmes

	2020 £'000	2019 £'000
South Asia Programme	828	932
Non-Proliferation and Nuclear Policy	416	514
Defence & Military Analysis Programme	897	582
Conflict, Security & Development Programme	159	42
Geo-Economics & Energy Security Programme	358	282
Middle East Research Programme	68	212
Asia-Pacific Research Programme	998	1,374
Future Conflict and Cyber Security Programme	549	519
Japan Programme	58	-
Other Research Programmes	148	6
	4,479	4,463

Funding for research projects received during the year from UK and international Governments totalled £2,734,000 (2019: £2,726,000)

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4 i) Analysis of expenditure - charitable activities and governance

Group

	Staff costs £'000	Other direct costs £'000	Depreciation charges £'000	Exchange (gains) /losses £'000	Allocation of support costs £'000	Total 2020 £'000	Total 2019 £'000
Charitable activities							
<i>Primary costs</i>							
Dialogues and conferences	1,023	2,305	-	-	1,556	4,884	5,371
Research programmes	3,497	1,278	-	-	3,029	7,804	7,919
Publications	1,085	201	74	-	1,463	2,823	3,883
Membership	232	20	-	-	312	564	726
<i>Support costs</i>							
Support operations	3,771	1,862	720	7	(6,360)	-	-
Total 2020	9,608	5,666	794	7	-	16,075	17,899
Total 2019	9,523	7,329	990	57	-		17,899

The above table analyses by expense category the costs related to the charitable activities and the governance of the Institute. Charitable activities costs include both primary costs, which are directly attributable to specific charitable activities, and centrally incurred support costs. The total support costs are then apportioned across the specific activities in accordance with the average headcount of employees allocated to each activity for the financial year. Costs relating to commercial activities are not included in the above table.

Included in support costs for 2020 are governance costs of £76,000 (2019: £111,000). Governance costs include staff costs, trustee travel to board meetings and audit fees.

Staff costs include amounts paid to consulting fellows and other consulting associates not on the payroll, so will be higher than salaries and wages costs included in Note 5.

4 ii) Net Income/ Expenditure

	2020 £'000	2019 £'000
Net income/ expenditure is stated after charging:		
Depreciation	425	445
Amortisation	372	547
Auditors' remuneration		
- Audit fees	27	26
- Tax advisory and other services	19	13
Operating leases		
- Land and buildings	806	921
Trustees' professional indemnity insurance	11	8

5 Staff costs

	2020 £'000	2019 £'000
Wages and salaries	7,536	7,426
Social security costs	705	673
Employers' contribution to defined contribution pension schemes	416	416
Operating costs of defined benefit pension schemes (excluding finance costs)	32	32
Other forms of employee benefits	435	378
	9,124	8,925

Costs of Consulting Fellows and other sub-contractors totalling £718,000 (2019: £880,000) are not included in the figures above.

Wages and salaries include £2,071,000 (2019: £1,598,000) in respect of restricted grant funded staff salaries.

Remuneration of key management personnel totalled £1,968,000 during the year (2019: £2,143,000)

Redundancy payments of £2,000 were paid during the year (2019: £24,000)

The average number of employees (headcount) during the year

	No.	No.
Dialogues and conferences	12	11
Research programmes	41	31
Publications	26	31
Commercial Activities	2	2
Membership	6	6
Support	46	47
	133	128

Number of employees whose emoluments were over £60,000

	No.	No.
£610,001 to £620,000	1	-
£540,001 to £550,000	-	1
£270,001 to £280,000	-	1
£210,001 to £220,000	1	1
£190,001 to £200,000	1	-
£170,001 to £180,000	-	1
£150,001 to £160,000	2	-
£130,001 to £140,000	2	3
£120,001 to £130,000	1	2
£110,001 to £120,000	5	3
£100,001 to £110,000	3	5
£90,001 to £100,000	1	3
£80,001 to £90,000	8	3
£70,001 to £80,000	3	9
£60,001 to £70,000	6	-
	34	32

Due to the change in the accounting policy on bonus accruals, the bandings for the prior year have been restated. The differences are due to the timing of payments.

None of the above employees (2019: none) are accruing retirement benefits under the defined benefit scheme. 28 of the above employees (2019: 26) are accruing retirement benefits under money purchase schemes and contributions on their behalf amounted to £239,000 (2019: £244,000).

For staff who are directly attributable to specific charitable activities (including both restricted and unrestricted funds), the pension costs are allocated on the same apportionment basis as their staff time/salaries. Support staff pension costs are apportioned on a headcount basis, outlined in note 4.i.

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6 Intangible fixed assets

Group	Software and Website costs £'000	Total £'000
Cost		
At 1 October 2019	2,039	2,039
Exchange differences on consolidation	(2)	(2)
Disposals	(68)	(68)
Additions	222	222
At 30 September 2020	2,191	2,191
Amortisation		
At 1 October 2019	1,428	1,428
Exchange differences on consolidation	(2)	(2)
Eliminated on disposals	(30)	(30)
Charge for the year	372	372
At 30 September 2020	1,768	1,768
Net book value		
At 30 September 2020	423	423
At 30 September 2019	611	611

Projects under development total £7,000 (2019 £32,000) in relation to database development costs.

Charity	Software and Website costs £'000	Total £'000
Cost		
At 1 October 2019	2,017	2,017
Exchange differences arising in branches	(2)	(2)
Disposals	(68)	(68)
Additions	222	222
At 30 September 2020	2,169	2,169
Amortisation		
At 1 October 2019	1,406	1,406
Exchange differences arising in branches	(2)	(2)
Eliminated on disposals	(30)	(30)
Charge for the year	372	372
At 30 September 2020	1,746	1,746
Net book value		
At 30 September 2020	423	423
At 30 September 2019	611	611

Projects under development total £7,000 (2019 £32,000) in relation to database development costs.

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7 Tangible fixed assets

Group	Freehold land £'000	Freehold buildings £'000	Furniture, fittings, plant & machinery, equipment, building improvements & motor vehicles £'000	Total £'000
Cost				
At 1 October 2019	3,000	11,456	7,193	21,649
Exchange differences on consolidation	-	-	(127)	(127)
Disposals	-	-	(154)	(154)
Additions	-	-	577	577
At 30 September 2020	3,000	11,456	7,489	21,945
Depreciation				
At 1 October 2019	-	2,408	6,163	8,571
Exchange differences on consolidation	-	-	(123)	(123)
Eliminated on disposals	-	-	(153)	(153)
Charge for the year	-	115	310	425
At 30 September 2020	-	2,523	6,197	8,720
Net book value				
At 30 September 2020	3,000	8,933	1,292	13,225
At 30 September 2019	3,000	9,048	1,030	13,078

Furniture, fittings, plant & machinery, equipment, building improvements and motor vehicles contain assets in the course of construction of £26,000 (2019: £NIL).

Charity	Freehold land £'000	Freehold buildings £'000	Furniture, fittings, plant & machinery, equipment, building improvements & motor vehicles £'000	Total £'000
Cost				
At 1 October 2019	3,000	11,456	6,565	21,021
Exchange differences arising in branches	-	-	(107)	(107)
Disposals	-	-	(150)	(150)
Additions	-	-	557	557
At 30 September 2020	3,000	11,456	6,865	21,321
Depreciation				
At 1 October 2019	-	2,408	5,571	7,979
Exchange differences arising in branches	-	-	(104)	(104)
Eliminated on disposals	-	-	(150)	(150)
Charge for the year	-	115	297	412
At 30 September 2020	-	2,523	5,614	8,137
Net book value				
At 30 September 2020	3,000	8,933	1,251	13,184
At 30 September 2019	3,000	9,048	994	13,042

Furniture, fittings, plant & machinery, equipment, building improvements and motor vehicles contain assets in the course of construction of £26,000 (2019: £NIL).

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8 Fixed asset investments

Group and charity

	2020 £'000	2019 £'000
Quoted		
Hedge Funds	402	263
Property Fund	690	733
Portfolio Funds	5,891	3,310
UK Fixed Interest Funds	330	330
International Fixed Interest Funds	214	205
UK Equity Funds	605	742
International Equity Funds	2,138	1,887
Total Quoted investments	10,270	7,470
Portfolio cash	49	3,032
Total market value at 30 September	10,319	10,502
Total historical cost at 30 September	9,496	9,569
Reconciliation of opening and closing market values		
Opening market value at 1 October	7,470	4,398
Additions at cost	3,404	3,644
Disposals at opening market value	(561)	(642)
Net (loss)/gain on revaluation	(43)	70
Closing market value at 30 September	10,270	7,470
Portfolio cash at 30 September	49	3,032
Total market value at 30 September	10,319	10,502

9 Debtors

Group

	2020 £'000	2019 £'000
Trade debtors	486	474
Other debtors	641	453
Prepayments and accrued income	1,043	1,090
	2,170	2,017

Charity

	2020 £'000	2019 £'000
Trade debtors	445	301
Other debtors	288	350
Amounts owed by group and associated undertakings	144	222
Prepayments and accrued income	653	1,014
	1,530	1,887

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10 Creditors: amounts falling due within one year

Group

	2020 £'000	2019 £'000
Trade creditors	173	401
Other creditors	73	90
Taxation and social security	176	167
Accruals	570	602
Deferred income (note 11)	<u>6,528</u>	<u>4,844</u>
	<u>7,520</u>	<u>6,104</u>

Charity

	2020 £'000	2019 £'000
Trade creditors	195	363
Other creditors	67	90
Taxation and social security	176	167
Accruals	497	535
Deferred income (note 11)	<u>3,872</u>	<u>3,710</u>
	<u>4,807</u>	<u>4,865</u>

11 Deferred income

Group

	2020 £'000	2019 £'000
Brought forward at 1 October 2019	4,844	4,103
Received in the year	6,529	7,626
Expended in the year	<u>(4,845)</u>	<u>(6,885)</u>
Carried forward at 30 September 2020	<u>6,528</u>	<u>4,844</u>

Charity

	2020 £'000	2019 £'000
Brought forward at 1 October 2019	3,710	3,317
Received in the year	3,265	5,402
Expended in the year	<u>(3,103)</u>	<u>(5,009)</u>
Carried forward at 30 September 2020	<u>3,872</u>	<u>3,710</u>

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12 Movement in funds

Group

	Balances b/fwd £'000	Income (including capital applied to income) £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	5,898	(187)	-	-	20	5,691
Restricted						
Gerald Segal Memorial Fund	26	-	(2)			24
Research Grants	(9)	4,037	(3,981)			47
	17	4,037	(3,983)	-	-	71
Unrestricted						
General fund	18,511	13,166	(12,626)	(31)	67	18,953
Pensions reserve	(716)			31	(56)	(741)
	17,795	13,166	(12,626)	-	(123)	18,212
Total funds	23,710	17,016	(16,609)	-	(143)	23,974

Charity

	Balances b/fwd £'000	Income (including capital applied to income) £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	5,898	(187)	-		(20)	5,691
Restricted						
Gerald Segal Memorial Fund	26		(2)			24
Research Grants	(5)	3,247	(3,191)			51
	21	3,247	(3,193)	-	-	75
Unrestricted						
General fund	18,002	10,024	(10,164)	(31)	(53)	17,778
Pensions reserve	(716)			31	(56)	(741)
	17,286	10,024	(10,164)	-	(109)	17,037
Total funds	23,205	13,084	(13,357)	-	(129)	22,803

Expendable endowment - restricted to fund a Chair in Japanese Security Studies at the IISS

Gerald Segal Memorial Fund - to fund study on Asian issues.

Restricted Grants - for research projects and specific non-research projects in strategic studies.

Pensions reserve - represents the FRS102 pension liability.

13 Analysis of net assets by fund

Group

	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,225	13,225
Intangible assets	-	-	423	423
Investments	5,691	-	4,628	10,319
Net current assets/ (liabilities)	-	71	677	748
Pension liability	-	-	(741)	(741)
	5,691	71	18,212	23,974

Charity

	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,184	13,184
Intangible assets	-	-	423	423
Investments	5,691	-	4,628	10,319
Net current assets/ (liabilities)	-	75	(457)	(382)
Pension liability	-	-	(741)	(741)
	5,691	75	17,037	22,803

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14 Pension schemes

The disclosures set out below relate to pension schemes to which contributions are made by the charity – a defined benefit scheme, individual personal pension schemes and a defined contribution scheme.

a Defined benefit scheme

The Institute sponsors the International Institute for Strategic Studies Staff Superannuation Scheme which is a defined benefit arrangement. The last completed full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 March 2018. The scheme is closed to new entrants and no contributions were made during the year.

During the year, the Institute has made payments of £44,000 to reduce the overall scheme deficit as identified in the triennial actuarial valuation of the scheme as at 1 March 2018.

i) The amounts recognised in the balance sheet are as follows:

	2020 £'000	2019 £'000
Present value of funded obligations	(3,418)	(3,385)
Fair value of plan assets	2,677	2,669
Deficit	(741)	(716)
Amounts in the balance sheet:		
Liabilities	(741)	(716)
Assets	-	-
Net liability	(741)	(716)

ii) Changes in the present value of the defined benefit obligation are as follows:

	2020 £'000	2019 £'000
Defined benefit obligation at start of year	3,385	2,694
Interest expense	61	75
Actuarial losses / (gains)	(4)	676
Benefits paid and expenses	(24)	(60)
Defined benefit obligation at end of year	3,418	3,385

iii) Changes in the fair value of the scheme assets are as follows:

	2020 £'000	2019 £'000
Opening fair value of scheme assets	2,669	2,464
Interest Income	48	69
Actuarial gains / (losses)	(60)	144
Contributions by the company	44	52
Benefits paid and expenses	(24)	(60)
Fair value of scheme assets at the year end	2,677	2,669

	2020 £'000	2019 £'000
The actual return on the plan assets in the year	(12)	213

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14 Pension scheme (continued)

iv) The defined benefit costs recognised within the Statement of Financial Activities are as follows:

	2020 £'000	2019 £'000
Net interest cost	13	6
Total amount charged to the Statement of Financial Activities	13	6

The International Institute for Strategic Studies expects to contribute £48,000 to its defined benefit pension scheme in the year ending 30 September 2021.

v) Defined benefit costs included in other recognised gains and losses

	2020 £'000	2019 £'000
Return on plan assets (excluding amounts included in net interest cost) - gain / (loss)	(60)	144
Experience gains / (losses) arising on the plan liabilities	24	(198)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - gain / (loss)	(20)	(478)
Total losses included in other recognised gains and losses	(56)	(532)

vi) The major categories of scheme assets are as follows:

	2020 £'000	2019 £'000
UK Equities	113	137
Overseas Equities	462	440
Fixed Interest	603	590
Corporate Bonds	792	790
Diversified Growth	506	498
Property	181	198
Cash and other	20	16
Total Assets	2,677	2,669

vii) Principal assumptions at the balance sheet date (expressed as weighted averages)

	2020	2019
Discount rate at 30 September	1.70%	1.80%
Inflation (RPI)	3.20%	3.30%
Inflation (CPI)	2.40%	2.50%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.40%	2.50%
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.10%	3.20%
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	2.50%	2.50%
Allowance for commutation of pension for cash at retirement	50% of Post A Day	50% of Post A Day

viii) The mortality assumptions adopted at 30 September 2020 imply the following life expectancies at age 65:

	Years
Male retiring in 2020	22.60
Female retiring in 2020	24.50
Male retiring in 2040	23.90
Female retiring in 2040	26.00

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14 Pension scheme (continued)

b Personal pension plans

The Institute also contributes to the personal pension schemes of some employees. The contributions are charged to the Statement of Financial Activities when due and the cost for the financial year ended 30 September 2020 was £60,000 (2019: £59,000).

c Defined contribution scheme

The Institute has a defined contribution pension scheme which is open to all employees. The contributions made in the year ended 30 September 2020 were £341,000 (2019: £346,000). Contributions outstanding at the year end amounted to £58,000 (2019: £54,000).

d IISS-US pension scheme

The Institute contributes to a United States 401(k) defined contribution pension scheme which is open to employees at the IISS-US office. The contributions paid in the year ended 30 September 2020 were £14,000 (2019: £9,000). Contributions accrued at the year end amounted to £2,000 (2019: £2,000).

15 Leasing commitments

The future total minimum payments to which the Group is committed as at 30 September 2020 under operating lease agreements are as follows:

	2020 £'000	2019 £'000
Office premises		
Net present value of total lease commitments due:		
Within one year	756	824
Between one and two years	1,015	724
Between two and five years	2,473	634
Over five years	<u>2,009</u>	<u>-</u>

16 Capital commitments

As at 30 September 2020, there were capital commitments contracted but not provided for of £367,000; for fitting out the new offices in Singapore and Washington, replacement of the goods lift in Arundel House, and for software development (2019: £324,000).

17 Reconciliation of net incoming resources to net cash inflow from operating activities

	2020 £'000	2019 £'000
Net income for the reporting period (as per the statement of financial activities)	354	6,001
Adjustments for:		
Dividends and interest from investments	(257)	(99)
Depreciation charges	425	445
Amortisation charges	372	547
Endowment funding	-	(6,015)
Pension reserve deficit funding	(31)	(47)
Losses/ (Gains) on investments	53	(81)
Exchange losses/ (gains) on fixed assets	4	(6)
Change in cash and cash equivalents due to exchange rate movements	(34)	48
Loss on sale of fixed assets	39	1
(Increase)/ Decrease in debtors	(153)	801
Increase in creditors	<u>1,416</u>	<u>779</u>
Net cash provided by (used in) operating activities	<u>2,188</u>	<u>2,374</u>

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18 Analysis of cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	6,098	4,322
Portfolio cash	49	3,032
	<u>6,147</u>	<u>7,354</u>

19 Related Parties

a Trustees or connected persons

The Trustees did not receive any remuneration during the current or previous year.

No transactions, contracts or other arrangements (including grants) with any Trustees were entered into by the Institute during the year ended 30 September 2020 (2019: Nil), other than two honoraria payments totalling £1,766 were made to Chung Min Lee during the year, for contributions to IISS publications.

Travel expenses for both governance and attending Institute dialogues and other activities were paid or reimbursed in respect of 5 trustees (2019: 8) and the total amount was £5,000 (2019: £33,000).

b Other related parties

The ultimate parent undertaking (Parent Charity) includes IISS-UK, and its two branches, IISS-US and IISS-Middle East.

i Arundel House Enterprises Ltd

Related party transactions of the ultimate parent undertaking with Arundel House Enterprises Ltd were as follows:

	2020 £'000	2019 £'000
Balance at beginning of year	139	123
Expenses paid on behalf of Parent	(205)	(226)
Expenses paid on behalf of related party	419	585
Amounts paid in during the year	(370)	(319)
Foreign currency movement	20	(24)
Balance at end of year	<u>3</u>	<u>139</u>

ii International Institute for Strategic Studies (Asia) Ltd

Related party transactions of the ultimate parent undertaking with IISS-Asia Ltd were as follows:

	2020 £'000	2019 £'000
Balance at beginning of year	-	-
Expenses paid on behalf of Parent	(19)	(128)
Expenses paid on behalf of related party	1,958	1,558
Amounts paid out during the year	9	-
Amounts paid in during the year	(1,492)	(3,190)
Foreign currency movement	3	(55)
Balance forgiven on behalf of Parent	(459)	1,815
Balance at end of year	<u>-</u>	<u>-</u>

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III Strategic Studies Fund

There were no related party transactions of the ultimate parent undertaking with the Strategic Studies Fund during 2020 (2019: Nil).

Related party transactions of IISS-Asia with the Strategic Studies Fund were as follows:

	2020 £'000	2019 £'000
Balance at beginning of year	(316)	(348)
Expenses paid on behalf of Parent (IISS-Asia)	(378)	(339)
Expenses paid on behalf of related party	199	358
Foreign currency movement	-	13
Balance at end of year	<u>(495)</u>	<u>(316)</u>

IV IISS India Organisation

Related party transactions of the ultimate parent undertaking with IISS India Organisation were as follows:

	2020 £'000	2019 £'000
Balance at beginning of year	83	77
Expenses paid on behalf of Parent	-	-
Expenses paid on behalf of related party	-	-
Foreign currency movement	(7)	6
Balance at end of year	<u>76</u>	<u>83</u>

V IISS Europe gemeinnützige GmbH

Related party transactions of the ultimate parent undertaking with IISS Europe gemeinnützige GmbH were as follows:

	2020 £'000	2019 £'000
Balance at beginning of year	-	-
Expenses paid on behalf of related party	47	-
Amounts paid out during the year	18	-
Foreign currency movement	-	-
Balance at end of year	<u>65</u>	<u>-</u>

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20 Subsidiary undertakings

I Arundel House Enterprises Ltd

Registered office : Arundel House, 6 Temple Place, London, WC2R 2PG
Registered number : 3720258

- a The charity beneficially owns the entire share capital of Arundel House Enterprises Limited, a company incorporated in England and Wales under registration number 3720258, which manages the conference facilities of Arundel House and Bloomsbury House. The results for Arundel House Enterprises Limited have been consolidated into the group financial statements.

b Summary of profit and loss account for Arundel House Enterprises Ltd

	2020 £'000	2019 £'000
Turnover	416	579
Cost of sales	(36)	(98)
Gross profit	380	481
Other expenses	(380)	(470)
Net profit before taxation	-	11
Gift Aid to IISS	-	(11)
Profit after taxation	-	-

c Summary of balance sheet for Arundel House Enterprises Ltd

	2020 £'000	2019 £'000
Tangible fixed assets	-	2
Debtors	94	110
Cash at bank and in hand	19	182
Current assets	113	292
Creditors	(102)	(283)
Net assets	11	11
Aggregate capital and reserves	11	11

II International Institute for Strategic Studies (Asia) Ltd

Registered office : 9 Raffles Place, #51-01 Republic Plaza, Singapore 048619
Registration number : 200106226Z

- a The charity holds a majority of the voting rights of The International Institute for Strategic Studies (Asia) Limited, a company limited by guarantee and incorporated in Singapore under company number 200106226Z. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b Summary of income statement for International Institute for Strategic Studies (Asia) Ltd

	2020 £'000	2019 £'000
Dialogue and Lecture Series	1,899	3,615
Research programmes	1,371	1,711
Other	16	9
Total income	3,286	5,335
Dialogue and Lecture Series	(1,675)	(2,008)
Research programmes	(939)	(3,506)
Total expenses	(2,614)	(5,514)
Surplus/(deficit) for the year	672	(179)

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c Summary of balance sheet for International Institute for Strategic Studies (Asia) Ltd

	2020 £'000	2019 £'000
Tangible fixed assets	42	35
Debtors	799	254
Cash at bank and in hand	<u>3,137</u>	<u>1,379</u>
Current assets	<u>3,936</u>	<u>1,633</u>
Creditors	<u>(2,799)</u>	<u>(1,144)</u>
Net assets	<u>1,179</u>	<u>525</u>
Aggregate capital and reserves	<u>1,179</u>	<u>525</u>

III Strategic Studies Fund

Registered office : 9 Raffles Place, #51-01 Republic Plaza, Singapore 048619
IPC Registration number : 1798

- a The charity is a trustee of the Strategic Studies Fund (SSF), a trust established in Singapore under Charity number 1798, and has ultimate discretion over the disbursement of SSF funds. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b Summary of income statement for Strategic Studies Fund

	2020 £'000	2019 £'000
Donations	-	-
Lectures Series	38	229
Research	<u>177</u>	<u>156</u>
Total income	<u>215</u>	<u>385</u>
Lectures Series	(23)	(170)
Research	(168)	(152)
Other expenses	-	(37)
Total expenses	<u>(191)</u>	<u>(359)</u>
Surplus for the year	<u>24</u>	<u>26</u>

c Summary of balance sheet for Strategic Studies Fund

	2020 £'000	2019 £'000
Debtors	495	554
Creditors	<u>(440)</u>	<u>(522)</u>
Net assets	<u>55</u>	<u>32</u>
Reserves	<u>55</u>	<u>32</u>

IV IISS India Organisation

Registered office: E-301, East of Kailash, New Delhi-110065, India
Incorporated in India with limited liability under number U80903DL2014NPL270367

- a The charity holds a majority share-holding (99.9%) in IISS India Organisation, a limited not for profit company incorporated in India. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

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b Summary of income statement for IISS India Organisation

	2020 £'000	2019 £'000
Other Income	15	10
Total income	15	10
Dialogue and Lecture Series	(12)	(12)
Other expenses	-	-
Total expenses	(12)	(12)
Surplus/(Deficit) for the year	3	(2)

c Summary of balance sheet for IISS India Organisation

	2020 £'000	2019 £'000
Debtors	7	8
Cash at bank and in hand	22	17
Current assets	29	25
Creditors	(83)	(87)
Net assets	(54)	(62)
Aggregate capital and reserves	(54)	(62)

V IISS Europe gemeinnützige GmbH

Registered office: Potsdamer Platz 10, Haus 2, 10785 Berlin, Deutschland

- a The charity holds a 100% share in IISS Europe gemeinnützige GmbH, a not for profit company incorporated in Germany on 28 May 2019. The financial statements are audited in local currency and converted into UK£ Sterling at the appropriate exchange rate for consolidation purposes.

b Summary of income statement for IISS-Europe

	2020 £'000	2019 £'000
Other Income	34	-
Total income	34	-
Dialogue and Lecture Series	-	-
Other expenses	(54)	-
Total expenses	(54)	-
Surplus/(Deficit) for the year	(20)	-

c Summary of balance sheet for IISS-Europe

	2020 £'000	2019 £'000
Debtors	-	-
Cash at bank and in hand	24	-
Current assets	24	-
Creditors	(44)	-
Net assets	(20)	-
Aggregate capital and reserves	(20)	-

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21 Comparative Information

i) Consolidated Statement of Financial Activities (incorporating an income and expenditure account)

Year ended 30th September 2019

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2019 £'000	Total Funds 2018 £'000
Income from:						
<i>Donations</i>	2	3,017	4	6,015	9,036	2,474
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	3	7,496	64	-	7,560	7,923
Research programmes	3	763	3,700	-	4,463	3,212
Publications		1,282	-	-	1,282	1,137
Membership		1,422	-	-	1,422	1,504
Other trading activities		527	-	-	527	781
<i>Investments</i>		96	3	-	99	93
<i>Capital applied to income</i>		-	273	(273)	-	-
<i>Other income</i>		13	8	127	148	7
Total		14,616	4,052	5,869	24,537	17,131
Expenditure on:						
<i>Raising funds</i>		201	-	-	201	135
<i>Charitable activities</i>						
Dialogues, conferences and lecture series	4	5,307	64	-	5,371	5,095
Research programmes	4	3,889	4,030	-	7,919	6,299
Publications	4	3,883	-	-	3,883	3,771
Membership	4	726	-	-	726	988
Other	4	-	-	-	-	-
<i>Other trading activities</i>		517	-	-	517	739
Total		14,523	4,094	-	18,617	17,027
Net gains on investments	17	52	-	29	81	154
Net income/ (expenditure)		145	(42)	5,898	6,001	258
Transfers between funds	12	-	-	-	-	-
Other recognised gains/(losses):						
Foreign exchange gains		48	-	-	48	15
Actuarial (losses)/ gains on defined benefit pension schemes	14	(532)	-	-	(532)	266
Net movement in funds		(339)	(42)	5,898	5,517	539
Funds brought forward at 1 October 2018	12	18,134	59	-	18,193	17,654
Funds carried forward at 30 September 2019	12,13	17,795	17	5,898	23,710	18,193

All amounts relate to continuing operations and, as all gains and losses are included, a separate statement of total recognised gains and losses has not been presented.

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ii) Comparative movement in funds

For the year ended 30 September 2019

Group	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	-	5,869	-		29	5,898
Restricted						
Gerald Segal Memorial Fund	30	-	(4)			26
Research Grants	29	4,052	(4,090)			(9)
	59	4,052	(4,094)	-	-	17
Unrestricted						
General fund	18,364	14,616	(14,523)	(46)	100	18,511
Pensions reserve	(230)			46	(532)	(716)
	18,134	14,616	(14,523)	-	(432)	17,795
Total funds	18,193	24,537	(18,617)	-	(403)	23,710
Charity						
	Balances b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balances c/fwd £'000
Expendable endowment	-	5,869	-		29	5,898
Restricted						
Gerald Segal Memorial Fund	30		(4)			26
Research Grants	33	2,929	(2,967)			(5)
	63	2,929	(2,971)	-	-	21
Unrestricted						
General fund	17,723	9,503	(9,255)	(46)	77	18,002
Pensions reserve	(230)			46	(532)	(716)
	17,493	9,503	(9,255)	-	(455)	17,286
Total funds	17,556	18,301	(12,226)	-	(426)	23,205

Expendable endowment - restricted to fund a Chair in Japanese Security Studies at the IISS

Gerald Segal Memorial Fund - to fund study on Asian issues.

Restricted Grants - for research projects and specific non-research projects in strategic studies.

Pensions reserve - represents the FRS102 pension liability.

iii) Comparative Analysis of net assets by fund

For the year ended 30 September 2019

Group	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,078	13,078
Intangible assets	-	-	611	611
Investments	5,907	-	4,595	10,502
Net current assets/ (liabilities)	(9)	17	227	235
Pension liability	-	-	(716)	(716)
	5,898	17	17,795	23,710
Charity				
	Expendable Endowment £'000	Restricted Funds £'000	Unrestricted Funds £'000	Total Funds £'000
Tangible assets	-	-	13,042	13,042
Intangible assets	-	-	611	611
Investments	5,907	-	4,595	10,502
Net current assets/ (liabilities)	(9)	21	(246)	(234)
Pension liability	-	-	(716)	(716)
	5,898	21	17,286	23,205

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FOR INFORMATION ONLY: CHARITY SOFA DOES NOT FORM PART OF AUDITED FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2020

	Unrestricted Funds £'000	Restricted Funds £'000	Endowed Funds £'000	Total Funds 2020 £'000	Total Funds 2019 £'000
Income from:					
<i>Donations</i>	2,941	-	-	2,941	9,047
<i>Charitable activities</i>					
Dialogues, conferences and lecture series	3,943	-	-	3,943	3,716
Research programmes	9	2,887	-	2,896	2,597
Publications	1,445	-	-	1,445	1,282
Membership	1,593	-	-	1,593	1,422
<i>Investments</i>	84	173	-	257	99
<i>Capital applied to income</i>	-	187	(187)	-	-
<i>Other incoming resources</i>	9	-	-	9	138
Total	10,024	3,247	(187)	13,084	18,301
Expenditure on:					
<i>Raising funds</i>	138			138	163
<i>Charitable activities</i>					
Dialogues, conferences and lecture series	3,189	-		3,189	3,191
Research programmes	3,450	3,193		6,643	4,263
Publications	2,823			2,823	3,883
Membership	564			564	726
Total	10,164	3,193	-	13,357	12,226
Net (losses)/ gains on investments	(33)	-	(20)	(53)	81
Net income/ (expenditure)	(173)	54	(207)	(326)	6,156
Transfers between funds	-	-	-	-	-
Other recognised gains/(losses):					
Foreign exchange (losses)/ gains	(20)			(20)	25
Actuarial gains/ (losses) on defined benefit pension schemes	(56)			(56)	(532)
Net movement in funds	(249)	54	(207)	(402)	5,649
Funds brought forward at 1 October 2019	17,286	21	5,898	23,205	17,556
Funds carried forward at 30 September 2020	17,037	75	5,691	22,803	23,205