

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

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

FINANCIAL STATEMENTS

31 MARCH 2023

Charity No. 210639



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

The trustees are pleased to present their report and the audited financial statements for the year ended 31 March 2023.

OBJECTIVES AND ACTIVITIES

The charity's purpose is the promotion and advancement of Naval and Military Science and Literature. The Royal United Services Institute for Defence and Security Studies ("RUSI" or "The Institute") produces evidence-based research and convenes events on defence, security and international affairs to help build a safer UK and a more secure, equitable and stable world. RUSI scholars debate and discuss critical issues, anticipate future trends and promote practical solutions for complex policy challenges. Through its convening power and membership, RUSI brings together a diverse range of actors from the public and private sectors, as well as individual members, to contribute to the public benefit by addressing national and global concerns.

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

- the research programme, which promotes in-depth study of defence, security and international affairs, making an independent contribution to thinking and practice;
- the programme of lectures, conferences and seminars, which provide a forum for discussion of defence, security and international affairs, and which brings together participants from the armed forces, the civil services, the private sector, academia, civil society, the public and the media;
- the *Journal* and other publications, which help to inform opinion and extend knowledge to a wider public.

The trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit, 'Charities and Public Benefit'. The Institute's charitable purpose is encapsulated in its objectives above and in the Royal Charter. The trustees ensure that this is carried out for the public benefit by delivering services that are valued by RUSI members, RUSI stakeholders and the public through the Institute's research programmes, events, publications, and communications. RUSI acts independently of the UK and other governments, political parties, and other major institutions and funders, although it will seek to be knowledgeable of, and take into account, their views.

ACHIEVEMENTS AND PERFORMANCE

Our Research

RUSI's research focuses on urgent, medium and long-term security, defence and geopolitical challenges. In early October 2023, we pivoted to address the surprise attack by Hamas on Israeli civilians. More than a year since Russia's full-scale and illegal invasion of the country, Ukraine remains high on our agenda at RUSI. And we also maintain our longer-term focus on many other critical issues. For all such challenges and debates, our research, events, commentaries and other publications involve most parts of RUSI.

Over the course of the year, we have published thought-provoking research on the key challenges faced by governments, international organisations, and non-governmental actors alike. In the UK, our work is regularly cited in parliamentary debates, questions and committees, and our reach is increasingly expanding overseas as well.

Each of our nine research groups has made a substantive contribution to their field, and they have frequently collaborated with each other to deliver even more impactful work. We also have two new emerging strands of research, one on energy security and the second on emerging disruptive technologies. Most of our staff work from our headquarters in the heart of Whitehall, though we also have two smaller overseas offices in Brussels, Belgium and Nairobi, Kenya.

Our work on the war in Ukraine has reinforced RUSI's reputation as the authoritative source of in-depth analysis about the conflict and its implications for the UK and its allies. This includes analysis of the sanctions on Russia, the importance of financial integrity in Ukraine's reconstruction, the risks to nuclear power stations in Ukraine, Russia's threats of tactical nuclear weapons use, the evolving military campaign, the war's geopolitical spill over and much more. Our reports are widely read and provide a pathway to engaging with RUSI, fulfilling our charitable objective to contribute to the public benefit by addressing national and global concerns.

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One pressing challenge in the military environment is that posed by Artificial Intelligence (AI) and other advanced technologies. In a short space of time, they have made a remarkable impact on current conflicts, weapons systems and planning and their significance will increase markedly in the near future. Across RUSI, our research teams have been exploring these issues – for example, the impact of AI on command and commanders is a topic of increasing importance to NATO and its work on Meaningful Human Control.

Military Sciences

Across all military domains, the conflict in Ukraine poses questions for NATO's armed forces. Principal among these is how militaries that have been optimised for expeditionary operations against sub-peer adversaries are responding to the need to deter peer adversaries, especially Russia or China. We have examined how the UK's armed forces might develop new operating concepts to manage such threats. This has included work for the Services on how warfighting capability can be rebuilt, and how the Services can support other levers of national power – such as through the Royal Navy's role in economic warfare.

Open-Source Intelligence and Analysis

Our newly established Open-Source Intelligence and Analysis (OSIA) team has published innovative intelligence products on Russia's military supply chains in partnership with several major news agencies. These are being disseminated to stakeholders in government, international media organisations, civil society and private enterprises.

This work has contributed to legislative reforms and changes to targeted financial sanctions packages across a variety of jurisdictions, ultimately constraining the Russian military-industrial complex's ability to procure technology for its war in Ukraine.

In the past year we also released a documentary with the Financial Times and an associated investigation focused on connections between North Korea and the Chinese triads. Based on several years of work from our OSIA researchers, the documentary has become one of the Financial Times' most viewed films on YouTube.

International Security Studies

We have conducted extensive work on the spill over from the Ukraine conflict, including the changes it is promoting in the Euro-Atlantic security architecture, Russia's role as a world actor and the international machinations of many states in Asia, Africa and Latin America as they manage their relations with the major powers.

Our European Security in Transformation programme has created an invaluable tool for journalists and policymakers, launching an interactive map explaining the complex web of multilateral institutions, mini-lateral partnerships and more informal arrangements that make up the UK's defence and security relationships across the continent. The map also allows users to see where the UK has a physical military presence.

Centre for Financial Crime and Security Studies

Our flagship financial crime project SIFMANet assessed the implementation of sanctions on Russia by EU member states. We have also undertaken intensive engagement with the asset recovery and 'freeze to seize' dialogue related to oligarch assets, as well as focusing on the integrity of the funding process for Ukraine's reconstruction through engagement with the Ukrainian NGO community and investigative journalists.

Meanwhile, on economic crime, we have proposed a national security-based model that draws on the key characteristics of three other national security policing responses – counterterrorism, serious and organised crime and cybercrime – and adapted these to the specific challenges and context of economic crime policing.

Proliferation and Nuclear Policy

Nuclear weapons have been at the forefront of global affairs since Russia's full-scale invasion of Ukraine. Our Proliferation and Nuclear Policy team has provided detailed analysis on the role of deterrence in global security, as well as delivering headline-grabbing research on the geopolitical role of nuclear energy.

In the last year, we have also launched a new project applying open-source tools to the analysis of North Korea's chemical weapon capabilities, announced at the five-yearly Chemical Weapons Convention review conference held in the Hague.

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Cyber

Over the past year, our Cyber team's research on ransomware and cyber insurance has made a growing impact. Our researchers were invited to deliver written and oral evidence to the UK Parliament's Joint Committee on National Security Strategy inquiry on ransomware.

Defence, Industries and Society

Our research on the defence industry landscape has included work looking specifically at Northern Ireland. Here, RUSI has positioned itself as an important interlocutor in discussions on defence procurement and the government's Levelling Up agenda. This project has given us considerable insight into challenges in accessing the defence market, paving the way for future work in this increasingly important area.

Organised Crime and Policing

RUSI's Organised Crime and Policing research group covers topics ranging from drug and human trafficking to wildlife trafficking and other environmental crimes. Our research illuminates the complexities of today's criminal landscape and the evolving challenges facing law enforcement both in the UK and internationally, including a threat assessment of cocaine trafficking in the Caribbean for the UK and to UK interests abroad and a first-of-a-kind report on the emerging impacts of climate change on patterns of illegal, unreported and unregulated (IUU) fishing. For the latter, we worked with approximately 30 global experts, focused on nearly 150 trends, resulting in the publication of 'Future IUU Fishing Trends in a Warming World'.

Terrorism and Conflict

Our Terrorism and Conflict group identifies and analyses the conflict, violent extremism and terrorism in the UK, Europe and globally. One notable output has been a multi-year project examining UK foreign policy across Ethiopia, Kenya, Somalia and Sudan. The results of this research have been presented to All-Party Parliamentary Groups and officials from the Foreign, Commonwealth and Development Office and the Ministry of Defence. We have also provided analysis to the Annual Africa Counter-Improvised Explosive Device Steering Committee conference at the Humanitarian Peace Support School in Nairobi.

Business Development

Recognising the importance of maintaining a robust fundraising capacity for research and other activities, we have reorganised and expanded our bid support and business development operations team with the appointment of a Director of Business Development. The team's goals are to ensure that RUSI is well-placed to create, identify and respond to new business opportunities, and to ensure positive relationships with our funders and external partners.

Communications

The invasion of Ukraine has led to a substantial, sustained, increase in our media appearances. Since February 2022, we have been mentioned in approximately 7,500 global news articles per month. This is more than double our pre-Ukraine war average. Significantly, much of this coverage comes through the highest-quality and most influential media outlets. The BBC, the *Financial Times*, *The New York Times* and Reuters all regularly feature RUSI work and seek out our experts for comment.

Our social media following has increased substantially. Our Twitter/X account's following grew by 70%, from 80,000 followers before the invasion to 120,000 at the end of March 2023, indicating a desire for content that helps to inform and make sense of a complex world. This particularly includes our commentaries, which generate some of our highest engagement rates on social media.

More than one million page views of the RUSI website in the last year have related specifically to the Ukrainian conflict. Many pieces are generating tens of thousands of views, and the most popular more than 100,000 views.

Events

At RUSI, we have always prided ourselves on our convening power and our ability to bring diverse audiences together to shape the debates about defence and security that matter most. Our major set-piece annual events, including the Land Warfare Conference in June (in partnership with the British Army), the Annual Security lecture in autumn (with a senior government security official), and the Chief of the Defence Staff lecture every December, all help shape the news agenda.

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Alongside these unique events and speeches, we have hosted, for example, the Shadow Foreign Secretary on Russia's invasion of Ukraine, the Rt Hon William Hague on the impact of UK foreign policy in a fast-changing world, and Belarusian opposition leader Sviatlana Tsikhanouskaya.

In the last year we also organised our inaugural Latin America Security Conference, which examined the continent's shifting geopolitics. This event brought together policymakers, key experts and academics from the Americas and Europe to consider how national and continental challenges are shaping Latin America's security and defence agenda. At the conference, Parliamentary Under-Secretary of State for Americas and Caribbean David Rutley MP made the first public speech on the continent by a UK government minister in over a decade.

As the effects of the Covid-19 pandemic recede further, we have increased the proportion of events that we have staged in-person, while maintaining our global reach through hybrid and online-only offerings. In total, more than 10,000 people attended a RUSI event in the last year. The coming year should mark a step change in events at RUSI, with the return to our 61 Whitehall home after an extensive refurbishment and upgrade of its facilities.

Our Duke of Wellington medal is awarded on an annual basis for the best English-language writing on military history. In 2022, it was awarded to Richard Overy for his book "Blood and Ruins".

Membership

Despite a challenging economic climate, 2022–23 saw a steady growth in RUSI's membership. Total individual memberships rose by 4% and stood at 2,060 as of 31 March 2023, while our corporate membership increased by 6 organisations, now totalling just over 200. Both our individual and corporate members contribute to the Institute's learning, and we are grateful for their participation.

We also launched a new initiative, RUSI NextGen, aimed at building a community of 'early career professionals' with an interest in defence, security and global affairs. This community has grown to over 1,000 members in the first six months since its launch, and we have already hosted several high-profile events.

We are determined to consolidate and build on this growth. In the next financial year, we will extend and improve our member events, and build partnerships with other organisations to bring further opportunities to RUSI members.

We have also launched a new Customer Relationship Management (CRM) system to better serve our members and other users of our website, offering more personal and tailored engagement to those interested in our work.

Human Resources

Our employee base has increased in the past year, with the average number of staff employed during the year standing at 127 for the year ended 31 March 2023 (2022: 115). With eight staff based outside of the UK (six in Brussels and two in Nairobi), the majority of RUSI's people are London-based.

We seek to remain competitive with other similar organisations in terms of our salaries and benefits. This year, we provided a baseline salary increase in line with inflation.

Fundraising

RUSI's Development Office raises philanthropic and other funds that have been used to renovate our historic home, to support the annual work of the Institute and to help develop sustainable sources of income. To date, this activity has been primarily focused on the redevelopment of 61 Whitehall, which has ensured a stable future for the Institute.

Following the success of our Phase One fundraising project during 2020-21 and 2021-22, which covered most of the costs associated with the redevelopment, in 2022-23 we launched Phase Two to fundraise for the remainder. The Phase Two target was £3.5 million, which was met by June 2023, and we have now begun planning Phase Three, which will raise around £6.5 million to support the Institute's research programme and other costs. Phase Two benefited from generous donations and pledges from a number of individuals, including Christen Ager-Hanssen, Nick Clarke, John Gore and Michael W Scherb. No external fundraisers were hired and no complaints were received in connection with our fundraising.

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Training and Education

RUSI's Leadership Centre is devoted to delivering bespoke executive education programmes for diplomats, senior military officials and the private sector from around the globe. With the return to in-person working and removal of Covid-related restrictions, we have built on and expanded the flagship training we provide, working with more than 50 individuals over the course of the year.

Our aim is to build on this success over the next year by increasing the number of courses we run.

FINANCIAL REVIEW

Financial Position

Total gross income of the Institute increased to £16,800,162, up 9% on the previous 12 months, £13,506,814 of which (2022: £11,856,337) is in unrestricted funds. The principal source of funding is research activity, which accounts for 80% of total gross income. Other sources of funding are donations, membership subscriptions, conferences and events, and publications. Costs remain under tight control, with charitable expenditure representing 98% of total expenditure. The Institute has net income for the year of £808,446 (2022: £3,519,591), of which (£1,658,606) is in unrestricted funds and £2,467,052 is in restricted funds. Overall, due to the revaluation loss of the freehold building of £4,461,798 (2022: £4,540,000) there was a net decrease in funds of £3,653,352 (2022: decrease of £1,020,409).

The Institute owns the freehold of its headquarters building at 61 Whitehall. The freehold of the building has been valued at £10,000,000 at 31 March 2023 and there is a revaluation loss in the year of £4,461,798 which reflects the cost of the building redevelopment. The Gross Development Value of the building on completion has been given as £14,250,000 and the works were completed in July 2023.

The balance sheet shows net current assets of £3,593,887 (2022: £6,744,519); the figure for current liabilities on the balance sheet includes subscriptions received in advance of £601,399, which will be recognised as income in 2023-24. Net assets at year-end have decreased from £12,192,945 to £8,539,593.

The Institute has long term borrowings of £6,854,087 (2022: £5,104,529). These borrowings consist of a mortgage used to purchase the freehold of 61 Whitehall, and a development loan to help fund the redevelopment of the building. RUSI holds fundraising pledges that will be redeemed over the next 1 to 5 years which will be used to redeem the outstanding development loan.

Incorporated in these results is the financial performance of the Institute's subsidiary RUSI Trading Ltd. The turnover of RUSI Trading Ltd was £221,232 (2022: £244,939) and the loss for the year was £78,165 (2022: profit £94,988).

These results also include those relating to the Royal United Services Institute (Nairobi) Limited, a company controlled by the Institute, incorporated in Kenya and limited by guarantee. Royal United Services Institute (Nairobi) Limited undertakes local research work on behalf of the Institute, on an exclusive basis, and does not have any additional trading activities. During the year, the Institute remitted funds totalling £287,750 (2022: £518,593) for this purpose. The expenses incurred in relation to the research projects undertaken by the Royal United Services Institute (Nairobi) Limited are included within the consolidated statement of financial activities. At 31 March 2023, Royal United Services Institute (Nairobi) Limited retained cash at bank and in hand of £34,157 (2022: £1,431).

The results also include those of RUSI Europe, an international not-for-profit organisation ("AISBL") based in Brussels. RUSI Europe studies, promotes, debates and reports on issues relating to international defence and security in Europe and abroad. Research projects undertaken in RUSI Europe during the year generated net income of £161,084 (2022: £160,496). These results are included within the consolidated statement of financial activities. At 31 March 2023 RUSI Europe retained cash at bank and in hand of £320,596 (2022: £739,141).

Reserves

The Institute's total funds at 31 March 2023 stand at £8,539,593, of which £2,738,722 (2022: £5,525,581) is restricted and not available for the general purposes of the charity. The general fund stands at £5,800,871 (2022: £5,659,802).

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RUSI defines its free reserves as the general fund. Five years ago, the trustees set a target for the Institute to aim to maintain, in normal circumstances, unrestricted reserves sufficient to cover future operating expenditure for at least six months. At 31 March 2023, the unrestricted reserves of £5,800,871 represented 5.6 months of budgeted expenditure for the year ending 31 March 2024.

Risks

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

Three principal risks believed to be facing the Institute at the current time are as follows:

- The data security and IT systems of the Institute are compromised in some way leading to a loss of data and possible breach of the Data Protection Act 1998 and GDPR.

Plan/strategy to manage this risk: *The Institute recognises that it is a likely target for cyber criminals, takes cyber security very seriously and constantly strives for improvement. Over the last few years a series of measures, including regular training for the Institute's staff and increased monitoring of its systems, have been put in place, and RUSI has held the Cyber Essentials Plus accreditation since 2017. Contact is maintained with the NCSC (National Cyber Security Centre). The Cyber Security Committee, a subcommittee of the Council of Trustees, provides governance over cyber security risk at the Institute and the risk-management of cyber security issues.*

Nevertheless, the Institute and its staff continue to be vigilant and aware that a cyber-attack is always a possibility.

- The Institute's greatest resource is the talent of its staff, and therefore the Institute acknowledges that there is always a risk from the loss of key personnel and/or management.

Plan/strategy to manage this risk: *The Institute manages this by ensuring that staff are remunerated competitively, also keeping open good communications channels with staff at all levels, not only during the annual appraisal process, but throughout the year, for example through the Staff Committee and staff surveys. There have been several recent initiatives not only on staff well-being and mental health, but also on improving diversity and inclusion.*

- The Institute continues to be concerned about high interest rates and inflation, along with other external economic conditions. In particular, high interest rates make the servicing of RUSI's borrowings more expensive; inflation puts pressure on costs, including staff costs, and poor economic growth may reduce the scope of funders to commission research and deter others from giving us donations or other financial support.

Plan/strategy to manage this risk: *The Institute continues to monitor the situation as it develops and is pleased that it now holds a significant free reserve which provides some security against the uncertainty of deteriorating external conditions. At the same time, the Institute continues to watch closely its income pipeline, to hold down costs wherever it can, and to diversify its income streams as much as possible.*

Plans for Future Periods

The Institute has a three-year rolling strategic plan that is reviewed annually. The plan reinforces RUSI's core values and purposes, as set out above, whilst setting objectives for the three-year period (2021-2024) which can be summarised as follows:

- Our research will give the highest priority to activities that contribute to thought leadership, through evidence-based research, convening and networking with policy-shapers, and communications so as to maximise our impact on national and international policy.

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- We will encourage even more cross-RUSI activities and integrated research design, including with our overseas offices.
- We will increase net research income over the next three years and increase the long term (1+ years per grant) proportion of this funding.
- We will significantly increase our income from membership, both individual and corporate.
- We will create and curate communities of interest on various themes and geographies, recognising that many members want very different things, and use these communities to boost membership income.
- We will improve diversity and inclusion inside RUSI, in our hiring practices and in our day-to-day activities, and also externally, with our research partners, our membership and at our events.
- We will build on the lessons drawn from the lockdown period to harness new technologies allowing us to increase the impact of our activities, interact better with our membership and embrace more digital and data-driven working methods, while not losing sight of problems of data sharing, ethics, and cyber security.
- We will complete the capital campaign to cover all the costs of the refurbishment, and then launch a second phase of the campaign to repay the loan for the freehold purchase. Once this is achieved, we will plan a campaign to celebrate our Bicentenary in 2031, and likely establish an endowment fund.
- Following on from the pandemic, RUSI will review its lessons for our working practices, including the possibility of more flexible arrangements for the use of the refurbished office space in 61 Whitehall.
- In order to safeguard the Institute against unforeseen shocks, and to protect staff, our ambition is to reach, and then maintain, the goal of 6 months of operating spending as unrestricted reserves. This will ensure an adequate buffer against future adverse market conditions.

The trustees' perspective of the future direction of the Institute is influenced by the financial difficulties and uncertainties faced by the Institute at several critical times in RUSI's long history. However, the acquisition of the freehold of 61 Whitehall in 2015 transformed the Institute's balance sheet and, for the first time, set the Institute on a secure financial footing. In addition, the continued growth and strong performance of the research business in recent years has allowed the Institute to establish an unrestricted reserve. Finally, the success of the fundraising campaign for the redevelopment of 61 Whitehall has provided the opportunity for RUSI to eliminate the need for rented office space in 2023 and thus significantly reduce costs, as well as providing additional financial security. The trustees intend to build on these encouraging advances, and to develop the Institute to its full potential, whilst remaining prudent in the management of financial risk.

STRUCTURE, GOVERNANCE AND MANAGEMENT

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

RUSI recognises that good governance in a charity is fundamental to its success. RUSI and its trustees are continually working towards achieving the highest standards of governance, by reference to the principles and recommended practice of the Charity Governance Code (December 2020).

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

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

The Director-General is the Chief Executive of the Institute and Secretary to the Council of Trustees. He or she is responsible for the day-to-day activities and current business of the Institute, including the management of the

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staff, to whom the Director-General may delegate duties. The trustees, acting on the advice of the Remuneration Committee, set the remuneration and benefits of the Director-General and Deputy Director-General.

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

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

The following organisations are also controlled by RUSI:

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

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

RUSI Europe, an AISBL established in Belgium.

REFERENCE AND ADMINISTRATIVE DETAILS

The charity registration number is 210639.

The principal address of the charity is:

Whitehall
London
SW1A 2ET

The Patron

Her Late Majesty The Queen

The President

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

Senior Vice Presidents

The Rt. Hon. the Lord Hague of Richmond FRSL
General (Ret'd) David H. Petraeus
His Grace the Duke of Wellington OBE DL

Trustees

The Rt. Hon. Douglas Alexander
Ms Divyata Ashiya
Ambassador Sylvie-Agnès Bermann
General Sir Nick Carter GCB CBE DSO (appointed 20 October 2022)
Mr John Dowdy
Mr Laurence Geller CBE
Ms Jan Hall OBE
Admiral Sir Philip Jones GCB DL
The Rt. Hon. Sir David Lidington KCB CBE – **Chair**
Mr Rageh Omaar
Ms Suzanne Raine
The Lord Ricketts GCMG GCVO – **Vice-Chair**
The Rt. Hon. Amber Rudd
The Rt. Hon. Jack Straw
His Grace the Duke of Wellington OBE DL
Sir Alexander Younger KCMG

The Advisory Board

The Rt. Hon. the Lord Arbuthnot of Edrom
Ms Jane Attwood

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Mr Rory Bremner FKC
The Rt Hon Lord Campbell of Pittenweem CH CBE QC

Mr Chris DiBona
Dr Comfort Ero
Ms Mina Gerowin
Mr David Giampaolo
Mr Reade Griffith
Mr Shashank Joshi
Mr Matthew Kirk
Dame Mariot Leslie
Dame Sarah MacIntosh DCMG
Dr Greg Mills
Mr Harper Reed
Ms Ritula Shah
Mr Oliver Waghorn
Ms Caroline Wyatt

Senior Management

Dr Karin von Hippel – **Director-General**
Mr André Meyer – **Interim Chief Finance Officer and Chief Operating Officer**
Professor Malcolm Chalmers – **Deputy Director-General**
Dr Jonathan Eyal – **Associate Director, Strategic Research Partnerships**

Principal Advisers:

Auditors

PKF Littlejohn LLP
15 Westferry Circus
London
E14 4HD

Bankers

HSBC Bank PLC
69 Pall Mall
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SW1Y 5EY

Signed on behalf of the Council of Trustees



Sir David Lidington KCB CBE
Chairman

13 December 2023

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

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

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

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the charity and which enable them to ascertain the financial position of the charity and to ensure that the financial statements comply with applicable law and the charity's Royal Charter. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for ensuring that the Report of the trustees and other information included is prepared in accordance with charity law in the United Kingdom.

**ROYAL UNITED SERVICES INSTITUTE
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INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES**

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE ROYAL UNITED SERVICES INSTITUTE FOR DEFENCE AND SECURITY STUDIES

Opinion

We have audited the financial statements of the Royal United Services Institute for Defence and Security Studies (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Parent Charity Balance Sheets, the 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 March 2023 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 Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charity 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 trustees' 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 group's or parent charity'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 other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the Annual Report of Trustees. Our opinion on the group and parent charity financial statements does not cover the other information and 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 course of 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.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept; or
- the parent charity financial statements are not in agreement with the accounting records; 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 are responsible for the preparation of the group and parent charity 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 group and parent charity financial statements, the trustees are responsible for assessing the group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with the Act and the relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the charity and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, sector research and application of cumulative audit knowledge and experience.
- We determined the principal laws and regulations relevant to the charity in this regard to be those arising from the Charities Act 2011, Financial Reporting Standard 102, and relevant employee legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the charity with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the valuation of the property at 61 Whitehall. For the year

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

to 31 March 2023, we reviewed the desktop exercise undertaken by the Trustees to ascertain the fair value at that point in time, tested the accuracy and completeness of inputs to their calculation, and challenged the assumptions applied in the valuation for example by agreement to third party metrics.

- We also identified potential for management bias in the judgements made around recoverability of debtors. We addressed this through examination of post year end cash received, review of correspondence with debtors and discussion of recoverability with management.
- We also identified potential for management bias in the depreciation rate applied to tangible fixed assets, and we addressed this by considering the useful economic life applied for the types of asset held, and re-performing the calculation to ensure it had been performed accurately in line with the stated method.
- We also identified potential for management bias in the allocation of support costs against charitable activity categories. We addressed this through reviewing the method used for reasonableness, and re-performing the calculation to ensure it had been performed accurately in line with the stated method.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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[http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor's-responsibilities-forhttps://www.frc.org.uk/auditors/audit-assurance/standards-and-guidance/2010-ethical-standards-for-auditors-\(1\).](http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor's-responsibilities-forhttps://www.frc.org.uk/auditors/audit-assurance/standards-and-guidance/2010-ethical-standards-for-auditors-(1).) This description forms part of our auditor's report.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



**PKF Littlejohn LLP
Statutory Auditor**

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: 14 December 2023

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

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2023**

		Unrestricted Funds 2023	Restricted Funds 2023	Year to 31 March 2023	Year to 31 March 2022
	Note	£	£	£	£
Income					
Donations, grants and gifts		19,315	1,545,846	1,565,161	2,964,053
Charitable activities		13,484,034	1,747,502	15,231,536	12,412,437
Other trading activities		(703)	-	(703)	(9,361)
Income from investments		4,168	-	4,168	472
Total income and endowments	2	13,506,814	3,293,348	16,800,162	15,367,601
Expenditure					
Raising funds		348,289	-	348,289	308,299
Charitable activities		14,817,131	826,296	15,643,427	11,539,711
Total expenditure	3	15,165,420	826,296	15,991,716	11,848,010
Net income	3	(1,658,606)	2,467,052	808,446	3,519,591
Transfers between funds		5,253,911	(5,253,911)	-	-
Other recognised losses					
Revaluation of freehold land and buildings		(4,461,798)	-	(4,461,798)	(4,540,000)
Net movement in funds		(866,493)	(2,786,859)	(3,653,352)	(1,020,409)
Balances at 1 April 2022		6,667,364	5,525,581	12,192,945	13,213,354
Balances at 31 March 2023	13	5,800,871	2,738,722	8,539,593	12,192,945

Of the consolidated income and expenditure, £15,231,536 (2022: £12,412,437) of income and £15,643,427 (2022: £11,539,711) of expenditure relates to the charity.

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

The accompanying notes on pages 19 to 30 form an integral part of these financial statements.

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2023**

		31 March <u>2023</u>	31 March <u>2022</u>
	<u>Note</u>	£	£
TANGIBLE FIXED ASSETS	5a	10,443,538	9,196,700
HERITAGE ASSETS	5b	1,356,255	1,356,255
		<u>11,799,793</u>	<u>10,552,955</u>
CURRENT ASSETS			
Debtors	6	9,308,639	8,240,940
Cash at Bank		3,240,503	7,101,754
		<u>12,549,142</u>	<u>15,342,694</u>
CREDITORS:			
Amounts falling due within one year			
Creditors	7	8,865,307	8,431,062
Bank loan		89,948	167,113
		<u>8,955,255</u>	<u>8,598,175</u>
NET CURRENT ASSETS		<u>3,593,887</u>	<u>6,744,519</u>
TOTAL ASSETS less current liabilities		<u>15,393,680</u>	<u>17,297,474</u>
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8	6,854,087	5,104,529
NET ASSETS		<u>8,539,593</u>	<u>12,192,945</u>
FUNDS EMPLOYED			
Unrestricted fund – General fund	13	5,800,871	5,659,802
Unrestricted fund – Revaluation reserve		-	1,007,562
Restricted funds	14	2,738,722	5,525,581
		<u>8,539,593</u>	<u>12,192,945</u>

The financial statements were approved and authorised for issue by the trustees on 13 December 2023.



Sir David Lidington KCB CBE
Chairman



The Lord Ricketts GCMC GCVO
Vice-Chairman

The accompanying notes on pages 19 to 30 form an integral part of these financial statements.

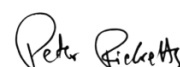
**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES
CHARITY BALANCE SHEET
AS AT 31 MARCH 2023**

		31 March <u>2023</u>	31 March <u>2022</u>
	<u>Note</u>	£	£
TANGIBLE FIXED ASSETS	5a	10,415,444	9,166,942
HERITAGE ASSETS	5b	1,356,255	1,356,255
INVESTMENT IN SUBSIDIARY	9	100	100
		<hr/>	<hr/>
		11,771,799	10,523,297
CURRENT ASSETS			
Debtors	6	5,858,080	4,036,409
Cash at Bank		2,691,819	6,252,324
		<hr/>	<hr/>
		8,549,899	10,288,733
		<hr/>	<hr/>
CREDITORS:			
Amounts falling due within one year			
Creditors	7	5,213,551	3,502,309
Bank loan		89,948	167,113
		<hr/>	<hr/>
		5,303,499	3,669,422
		<hr/>	<hr/>
NET CURRENT ASSETS		3,246,400	6,619,311
		<hr/>	<hr/>
TOTAL ASSETS less current liabilities		15,018,199	17,142,608
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8	6,854,087	5,104,529
NET ASSETS		<hr/> 8,164,112 <hr/>	<hr/> 12,038,079 <hr/>
FUNDS EMPLOYED			
Unrestricted fund – General fund	13	5,425,390	5,504,936
Unrestricted fund – Revaluation reserve		-	1,007,562
Restricted funds	14	2,738,722	5,525,581
		<hr/>	<hr/>
		8,164,112	12,038,079
		<hr/>	<hr/>

The financial statements were approved and authorised for issue by the trustees on 13 December 2023



Sir David Lidington KCB CBE
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The Lord Ricketts GCMC GCVO
Vice-Chairman

The accompanying notes on pages 19 to 30 form an integral part of these financial statements.

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2023**

	Year to 31 March <u>2023</u> £	Year to 31 March <u>2022</u> £
Cash flows from operating activities:		
<i>Net cash generated by operating activities</i>	492,560	5,011,933
Cash flows from investing activities:		
Interest from investments	4,168	472
Purchase of property, plant and equipment	(6,030,372)	(1,779,200)
Purchase of heritage assets	-	(10,550)
<i>Net cash used in investing activities</i>	(6,026,204)	(1,789,278)
Cash flows from financing activities:		
Repayments of borrowing	(154,437)	(256,877)
Cash inflows from new borrowing	1,826,830	-
<i>Net cash from/(used) in financing activities</i>	1,672,393	(256,877)
<i>Change in cash and cash equivalents in the reporting period</i>	(3,861,251)	2,965,778
Cash and cash equivalents at the beginning of the reporting period	7,101,754	4,135,976
Cash and cash equivalents at the end of the reporting period	3,240,503	7,101,754
Reconciliation of net income/(expenditure) to net cash flow from operating activities		
Net income for the reporting period (as per The Statement of Financial Activities)	808,446	3,519,592
Adjustments for:		
Depreciation charges	321,736	220,179
Dividends, interest and rent from investments	(4,168)	(472)
(Increase)/decrease in debtors	(1,067,699)	1,326,291
Increase/(decrease) in creditors	434,245	(53,657)
<i>Net cash provided by operating activities</i>	492,560	5,011,933
Analysis of cash and cash equivalents		
Cash in hand	3,240,503	7,101,754
<i>Total cash and cash equivalents</i>	3,240,503	7,101,754

The accompanying notes on pages 19 to 30 form an integral part of these financial statements.

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

1 ACCOUNTING POLICIES

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

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

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

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

a) Going concern

After reviewing the charity's forecasts and projections and its reserves, the trustees have concluded that the charity has adequate resources to continue in operation for the foreseeable future. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

b) Recognition of income

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

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

c) Expenditure

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

d) Operating leases

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

e) Tangible fixed assets

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

Freehold land and buildings	Nil
Furniture and fittings	15%
Office equipment	33%
Leasehold improvements	over the term of the lease
Assets under construction	Nil until brought into use

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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

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

f) Fund accounting

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

g) Heritage assets

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

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

h) Foreign currency

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

i) Retirement Benefits

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

j) Trade debtors

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

k) Creditors and provisions

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

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

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

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

m) Donated goods, facilities and services

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

2 ANALYSIS OF INCOME

	Unrestricted Funds 2023 £	Restricted Funds 2023 £	Year to 31 March 2023 £	Year to 31 March 2022 £
Donations, grants and gifts	19,315	1,545,846	1,565,161	2,964,053
Income from charitable activities				
Conferences and events	257,783	-	257,783	258,629
Research	11,714,225	1,747,502	13,461,727	10,797,960
Subscriptions	1,322,174	-	1,322,174	1,195,047
Publications	189,852	-	189,852	160,801
Facilities / Room hire	(703)	-	(703)	(9,361)
Bank deposit interest received	4,168	-	4,168	472
Total income	13,506,814	3,293,348	16,800,162	15,367,601

In the year ended 31 March 2022, restricted funds income was £3,511,264 split into £2,600,394 in the form of donations and £910,870 in the form of research.

3 ANALYSIS OF EXPENDITURE

Total costs of activities comprise:

	Staff Costs £	Direct Costs £	Allocated Costs £	Year to 31 March 2023 £	Year to 31 March 2022 £
Facilities /room Hire	-	-	25,494	25,494	28,796
Fundraising	201,603	19,215	101,977	322,795	279,503
Total costs of raising funds	201,603	19,215	127,471	348,289	308,299
Conferences and Events	181,287	771,725	152,966	1,105,978	515,661
Research	4,111,612	5,293,642	1,555,158	10,960,412	8,347,616
Publications	438,762	104,940	178,461	722,163	670,488
Membership	317,991	269,981	152,966	740,938	407,950
Other support to members	1,622,538	22,524	356,922	2,001,984	1,494,597
Governance costs	84,328	2,130	25,494	111,952	103,399
Total cost of charitable activities	6,756,518	6,464,942	2,421,967	15,643,427	11,539,710
	6,958,121	6,484,157	2,549,438	15,991,716	11,848,010

Staff costs above include recruitment and other staff benefit costs of £36,253 (2022: £39,628) which are not included in the separate analysis of staff costs below. These have been allocated directly to activities based on the time spent in each area of activity. Fundraising includes the costs of generating voluntary income and general promotional costs to raise the profile of the Institute.

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

Allocated costs comprise:

	Establishment	Finance and Admin	Other	Year to 31 March 2023 Total	Year to 31 March 2022 Total
	£	£	£	£	£
Facilities /room Hire	9,278	16,046	170	25,494	28,797
Fundraising	37,111	64,186	681	101,978	96,488
Conferences and Events	55,667	96,278	1,022	152,967	131,950
Research	565,943	978,830	10,385	1,555,158	1,362,506
Publications	64,944	112,325	1,191	178,460	152,397
Membership	55,667	96,278	1,022	152,967	131,277
Other support to members	129,888	224,649	2,383	356,920	308,519
Governance costs	9,278	16,046	170	25,494	32,455
	<u>927,776</u>	<u>1,604,638</u>	<u>17,024</u>	<u>2,549,438</u>	<u>2,244,389</u>

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

	Group and Charity Year to 31 March 2023 £	Group and Charity Year to 31 March 2022 £
Total expenditure includes:		
Salaries and wages	5,549,189	4,635,229
Pension costs - defined contributions scheme	354,811	269,195
National insurance	634,469	410,935
Holiday pay reserve	223,392	148,108
	<u>6,761,861</u>	<u>5,463,467</u>

Group and Charity Year to 31 March <u>2023</u>	Group and Charity Year to 31 March <u>2022</u>
--	--

No

The following key management personnel received a total of £646,288 (2022: £584,897) in remuneration and benefits:

The remuneration and benefits received by the Director General were as follows:

Group and Charity Year to 31 March <u>2023</u> £	Group and Charity Year to 31 March <u>2022</u> £
---	---

Auditors' remuneration for:	Audit fees	17,520	17,520
	(Over)/under accrual in previous year		-
Depreciation		321,736	220,179
Operating lease rentals – plant and machinery		25,717	25,453
– land and buildings		545,337	536,012

**ROYAL UNITED SERVICES INSTITUTE
FOR DEFENCE AND SECURITY STUDIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

	Group and Charity Year to 31 March 2023 £	Group and Charity Year to 31 March 2022 £
Governance costs comprise:		
Staff costs	84,328	70,944
Establishment costs	9,278	12,335
Administration costs	1,784	16,046
Finance costs	14,262	3,538
Other costs	2,300	536
	111,952	103,399

No remuneration was paid to the trustees in the current or preceding periods. In the current period no trustee has been reimbursed expenses in connection with services provided to the Charity (2022: Nil).

4 TAXATION

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

5a. TANGIBLE FIXED ASSETS – Group and Charity

	Freehold land & buildings £	Assets under Construction £	Other Tangible Fixed Assets £	Total £
Cost or value				
At 1 April 2022	5,800,000	2,920,651	1,783,179	10,503,830
Additions		5,741,147	289,225	6,030,372
Transfer	4,200,000	(4,200,000)	-	-
Revaluation		(4,461,798)	-	(4,461,798)
At 31 March 2023	<u>10,000,000</u>	<u>-</u>	<u>2,072,404</u>	<u>12,072,404</u>
Accumulated depreciation				
At 1 April 2022	-	-	1,307,130	1,307,130
Charge for the year	-	-	321,736	321,736
At 31 March 2023	<u>-</u>	<u>-</u>	<u>1,628,866</u>	<u>1,628,866</u>
Net book value				
At 31 March 2023	<u>10,000,000</u>	<u>-</u>	<u>443,538</u>	<u>10,443,538</u>
At 31 March 2022	<u>5,800,000</u>	<u>2,920,651</u>	<u>476,049</u>	<u>9,196,700</u>

All the fixed assets of the Institute are held for charitable purposes. The net book value of £443,538 (2022: £476,049) in relation to other tangible fixed assets comprises leasehold improvements of £27,747 (2022: £256,526); office equipment of £414,956 (2022: £217,266); and furniture and fittings of £835 (2021: £2,257).

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A full valuation of freehold land and buildings was undertaken by Avison Young, a firm of chartered surveyors, as at 31 March 2023, and this gave a valuation of the freehold land and buildings of £10.0m. At 31 March 2023 the freehold land and buildings were under redevelopment and the building was in the hands of contractors. The valuation of £10.0m is a reflection of an adjustment to the Gross Development Value (£14.25m) for the remaining costs to complete the project, as at 31 March 2023. The redevelopment of the building was completed in July 2023 and the business has relocated back into the freehold premises. Avison Young have estimated the value of the freehold land and buildings on completion of the works as £14.25m.

5b. HERITAGE ASSETS—Group and Charity

	Paintings Silverware, Furniture Marble £	Library Books £	Total £
<u>Cost or value</u>			
At 1 April 2022 and 31 March 2023	908,110	448,145	1,356,255
<u>Net Book Amount</u>			
At 31 March 2022 and 31 March 2023	<u>908,110</u>	<u>448,145</u>	<u>1,356,255</u>

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

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

Five-year summary of heritage asset transactions

	2023 £	2022 £	2021 £	2020 £	2019 £
<i>Additions</i>					
Purchases	-	10,550	-	-	-
Donations	-	-	-	3,360	3,360
<i>Disposals</i>					
Carrying value	-	-	-	-	175,000
Sales proceeds	-	-	-	-	-

6 DEBTORS

	Group Year to 31 March <u>2023</u> £	Charity Year to 31 March <u>2023</u> £	Group Year to 31 March <u>2022</u> £	Charity Year to 31 March <u>2022</u> £
Trade debtors	5,855,751	2,484,313	5,573,048	1,343,741
Sundry debtors and prepayments	3,452,888	3,062,950	2,667,892	2,380,769
Amounts owed by group undertaking	-	310,817	-	311,899
	<u>9,308,639</u>	<u>5,858,080</u>	<u>8,240,940</u>	<u>4,036,409</u>

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7 CREDITORS

	Group Year to 31 March <u>2023</u> £	Charity Year to 31 March <u>2023</u> £	Group Year to 31 March <u>2022</u> £	Charity Year to 31 March <u>2022</u> £
Trade creditors	816,871	571,033	622,859	387,661
Sundry creditors and accruals	2,196,917	1,634,635	1,747,207	1,368,991
Deferred income	5,851,519	2,780,403	6,060,996	1,252,083
Amount owed to group undertaking	-	227,480	-	493,574
	8,865,307	5,213,551	8,431,062	3,502,309

**Analysis of movement in deferred income
Group and charity**

	Balance at 1 April 2022 £	Income Released In Yr £	Income Deferred In Yr £	Exchange Diff £	Transfers £	Balance at 31 March 2023 £
Deferred research income	5,812,844	(3,763,215)	2,887,937	219,744	92,810	5,250,120
Subscriptions in advance	248,152	(248,152)	601,399			601,399
	6,060,996	(4,011,367)	3,489,336	219,744	92,810	5,851,519

**8 AMOUNTS FALLING DUE AFTER
MORE THAN ONE YEAR**

	Group Year to 31 March <u>2023</u> £	Charity Year to 31 March <u>2023</u> £	Group Year to 31 March <u>2022</u> £	Charity Year to 31 March <u>2022</u> £
Loans	6,854,087	6,854,087	5,104,529	5,104,529

Loans are repayable as follows:-

	Group Year to 31 March <u>2023</u> £	Charity Year to 31 March <u>2023</u> £	Group Year to 31 March <u>2022</u> £	Charity Year to 31 March <u>2022</u> £
Within one year	89,948	89,948	167,113	167,113
Between two and five years	6,854,087	6,854,087	5,104,529	5,104,529
	6,944,035	6,944,035	5,271,642	5,271,642

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Loans consist of the following advances:

1. A £5.8 million loan for the purpose of assisting with the purchase of the freehold interest in 61 Whitehall. The term of the loan is 10 years from 27 March 2015 and the interest rate is 2.5% per annum over the Bank of England base rate. However, from 27 March 2018, for a period of 60 months, the interest rate has been fixed at 3.75% during which period there will be 60 capital-and-interest repayments of £28,505.24. The loan is secured by a first legal charge over the freehold property at 61 Whitehall. As at 31 March 2023 the outstanding balance on this loan was £5,117,205 (2022: £5,263,612).
2. The group drew down £1,826,830 on 21 February 2023 from a £4.5m term loan facility, to assist in funding the redevelopment work at 61 Whitehall. The loan is repayable in full after 1 year and 3 months of the date of the drawdown and the interest rate to be paid on this facility is 2.75% per annum above the Bank of England base rate.

9 INVESTMENT IN SUBSIDIARY

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

RUSI Trading Limited's profit and loss account for the year ended 31 March 2023 was as follows:

	Year to 31 March 2023 £	Year to 31 March 2022 £
Turnover	221,232	244,939
Expenses	299,397	149,951
(Loss)/Profit for the year before gift aid	(78,165)	94,988
Qualifying charitable donation to RUSI	-	(94,988)
(Loss)/Profit for the year	<u>(78,165)</u>	<u>-</u>

The loss in the year to 31 March 2023 was £78,165 (2022: profit £94,988). The profit for the prior year was paid under deed of covenant to the Royal United Services Institute for Defence and Security Studies.

At 31 March 2023 RUSI Trading Limited had assets of £199,893, liabilities of £277,958 and share capital of £100.

10 RELATED PARTIES

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

The Institute also controls **Royal United Services Institute (Nairobi) Limited**, a company incorporated in Kenya and limited by guarantee. Royal United Services Institute (Nairobi) Limited undertakes local research work on behalf of the Institute, on an exclusive basis, and does not have any additional activities. During the year, the Institute remitted funds totalling £287,750 (2022: £518,593) for this purpose. The expenses incurred in relation to the research projects undertaken by Royal United Services Institute (Nairobi) Limited are included within the consolidated statement of financial activities. At 31 March 2023 Royal United Services Institute (Nairobi) Limited retained cash at bank and in hand of £34,157 (2022: £1,431).

There were no other related party transactions in the current or previous year.

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During 2018/19 the Institute established **RUSI Europe**, an international not-for-profit organisation ("AISBL") based in Brussels. RUSI Europe is controlled by the Institute through the ability to appoint the Board of Directors. At 31 March 2023, RUSI Europe retained cash at bank and in hand of £320,596 (2022: £739,141).

11 LEASE OBLIGATIONS

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

	Land & Buildings	Equipment	Year to 31 March 2023	Year to 31 March 2022
	£	£	£	£
Due within one year	195,000	29,203	224,203	414,853
Due after one year and within five years		56,844	56,844	757,247
Due in more than five years	-	1,818	1,818	737
	<u>195,000</u>	<u>87,865</u>	<u>282,865</u>	<u>1,172,837</u>

12 CAPITAL COMMITMENTS

In November 2021, RUSI entered into a standard building contract with Coniston Limited to have refurbishment, alteration and extension work carried out at 61 Whitehall. The contract sum is £9,563,683. As at the 31 March 2023, RUSI has paid £6,192,515 to Coniston under this contract, leaving an outstanding balance of £3,370,768.

13 ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted funds £	Restricted funds £	Total funds £
Fund balances at 31 March 2023 are represented by:			
Tangible fixed assets	11,799,793	-	11,799,793
Current assets	8,525,896	4,023,246	12,549,142
Current liabilities	(7,670,731)	(1,284,524)	(8,955,255)
Long term liabilities	(6,854,087)	-	(6,854,087)
Total net assets	<u>5,800,871</u>	<u>2,738,722</u>	<u>8,539,593</u>
	Unrestricted funds £	Restricted funds £	Total funds £
Fund balances at 31 March 2022 are represented by:			
Tangible fixed assets	8,292,345	2,260,610	10,552,955
Current assets	12,077,723	3,264,971	15,342,694
Current liabilities	(8,598,175)	-	(8,598,175)
Long term liabilities	(5,104,529)	-	(5,104,529)
Total net assets	<u>6,667,364</u>	<u>5,525,581</u>	<u>12,192,945</u>

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14 RESTRICTED FUNDS

	Balance 1 April 2022 £	Income £	Expenditure £	Transfers £	Balance 31 March 2023 £
The Thales Charitable Trust	7,538	-	-		7,538
The 1831 Fund	26,772	-	-	(26,772)	-
Duke of Wellington	-	9,500	9,250		250
Google, Inc	100,844	-	-	(100,844)	-
61 Whitehall Fund	3,677,049	1,536,346	-	(5,213,395)	-
Research grants and donations	1,713,378	1,747,502	817,046	87,100	2,730,934
	<u>5,525,581</u>	<u>3,293,348</u>	<u>826,296</u>	<u>(5,253,911)</u>	<u>2,738,722</u>

	Balance 1 April 2021 £	Income £	Expenditure £	Balance 31 March 2022 £
The Thales Charitable Trust	7,538	-	-	7,538
The 1831 Fund	26,772	-	-	26,772
Google, Inc	100,844	-	-	100,844
61 Whitehall Fund	2,691,807	2,600,394	1,615,152	3,677,049
Research grants and donations fund	1,183,950	910,870	381,442	1,713,378
	<u>4,010,911</u>	<u>3,511,264</u>	<u>1,996,594</u>	<u>5,525,581</u>

Purpose and use of restricted funds

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

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

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

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

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

All the transfers out of the restricted fund relate to the redevelopment works undertaken on 61 Whitehall.

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15 PRIOR YEAR FIGURES

Prior year Statement of Financial Activities for the year ended 31 March 2022.

	Unrestricted Funds <u>2022</u> £	Restricted Funds <u>2022</u> £	Year to 31 March <u>2022</u> £
Income			
Donations, grants and gifts	363,659	2,600,394	2,964,053
Charitable activities	11,501,567	910,870	12,412,437
Other trading activities	(9,361)	-	(9,361)
Income from investments	472	-	472
	<hr/>	<hr/>	<hr/>
Total income and endowments	11,856,337	3,511,264	15,367,601
	<hr/>	<hr/>	<hr/>
Expenditure			
Raising funds	308,299	-	308,299
Charitable activities	11,158,269	381,442	11,539,711
	<hr/>	<hr/>	<hr/>
Total expenditure	11,466,568	381,442	11,848,010
	<hr/>	<hr/>	<hr/>
Net income/(expenditure)	389,769	3,129,822	3,519,591
Transfers between funds	1,615,152	(1,615,152)	-
Other recognised gains			
Revaluation of freehold land & buildings	(4,540,000)	-	(4,540,000)
	<hr/>	<hr/>	<hr/>
Net movement in funds	(2,535,079)	1,514,670	(1,020,409)
Balances at 1 April 2021	9,202,443	4,010,911	13,213,354
	<hr/>	<hr/>	<hr/>
Balances at 31 March 2022	6,667,364	5,525,581	12,192,945
	<hr/>	<hr/>	<hr/>